



# CITY OF LODI

## COUNCIL COMMUNICATION

AGENDA TITLE: Recommendations Concerning Potential Revenue Sources

MEETING DATE: December 15, 1993

PREPARED BY: City Manager

RECOMMENDED ACTION: That the City Council hear the presentation of the representatives of the Old Lodi High School Site Foundation and take action as deemed appropriate.

BACKGROUND INFORMATION: Representatives of the Old Lodi High School Site Foundation will be in attendance at Wednesday night's meeting to deliver a presentation addressing potential new revenue sources for the City of Lodi.

Mr. Dennis Bennett, Foundation Chairman will make the presentation and a copy of his prepared remarks is attached (Exhibit A).

The Foundation will make no specific recommendations at this time as to allocation of whatever additional revenue may be raised by action of the City Council.

FUNDING: Not applicable

Respectfully submitted,

Thomas A. Peterson  
City Manager

TAP:br

Attachment

CCCOM876/TXTA.07A

APPROVED \_\_\_\_\_

THOMAS A. PETERSON  
City Manager



recycled paper

CC-1

**Lodi City Council  
December 15, 1993  
Opening Remarks & Business License Introduction**

**Mr. Mayor and members of the Council, my name is Dennis Bennett, Chairman of the Old Lodi High School Site Foundation. The Foundation Board of Directors have for some time been studying ways to fund and complete the master plan at Hutchins Street Square. It seems at this same time it has become very evident that there are many, many needs in the community including completion of the Boys and Girls Club facility that just recently had a ground breaking for the construction of the shell of their building; Downtown and Cherokee Lane revitalization, as well as other infrastructure needs like future repair or replacement of eastside sewer, water and storm drain trunk lines; future park land acquisition; adequate future funding for the parks and rec master plan; and potential future water filtration systems, not to mention increased future Police and Fire personnel.**

**We are here tonight not to discuss any specific project, but due to the City's dwindling income, we are here to discuss methods to increase the general fund and try to make the City of Lodi financially healthy, so that the Council in the future can fully act on the various needs previously stated.**

**We have sought the advice of the City's Finance Director, Mr. Dixon Flynn and we have some specific suggestions for the City Council.**

**The first would be updating the current City Business License Tax Ordinance which was first introduced in 1948. It is well known that this tax is extremely outdated and has many inequities to small business.**

**The Foundation Board felt so strongly about the need to at least review this funding source that the Board hired the consulting firm of Ralph Anderson and Associates to do a full review for the City. Ms.**

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**Suzanne Bragdon of Ralph Anderson is here tonight to go through the report when I complete my comments.**

**The second suggestion is to create a citywide Lighting and Landscape district which would include maintenance for all street lighting and park maintenance. This has become very common in Cities throughout California, and even San Joaquin County has Street Lighting Districts and Community Service Districts for park maintenance as in Woodbridge and Morada that pay for these services.**

**The next suggestion would be to investigate the feasibility of increasing the real property transfer tax. This tax is paid to the County Recorder upon the close of escrow on the sale of a property with a portion going to the City. The City of Stockton and the City of Sacramento have increased Real Property Transfer Taxes and is substantial income to those cities. Ms. Bragdon's report contains some basic statistical information regarding this tax.**

**The next suggestion would be to consider the implementation of a utility users tax that affects all utilities provided with the City. It could be structured so that there would be no net gain in the cost of city utilities, but even a very, very small tax on the other utilities could greatly help the City's General Fund.**

**This concludes my comments and after the presentation I would urge the Council to direct the Staff to review the City of Lodi Business License Ordinance and incorporate the suggested changes in the report to bring it in line with reality. Also the Council should have staff look into the feasibility of the other suggestions mentioned and explore their implementation so that Lodi can survive the state budget cuts and continue to serve its citizens.**



**DISTRICT  
CHAMBER OF COMMERCE**

**TO:** Lodi City Councilmembers  
**FROM:** Lodi District Chamber of Commerce GTRC Committee  
**SUBJECT:** Resolution Concerning Proposed Business License Fee Increase  
**DATE:** December 15, 1993

At our committee meeting December 3, 1993, the following resolution was adopted:

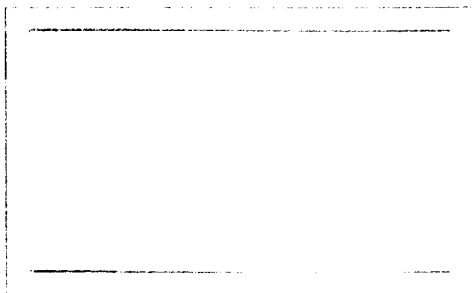
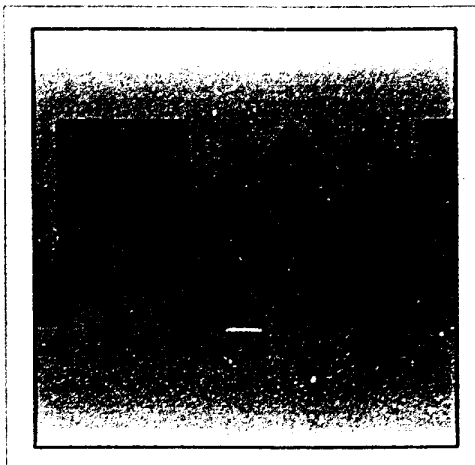
**RESOLUTION OF THE GOVERNMENT AND TRANSPORTATION REVIEW COMMITTEE  
OF THE LODI DISTRICT CHAMBER OF COMMERCE.**

The Lodi District Chamber of Commerce is, in general, supportive of the idea of a Business License Fee review, but requests that the City Council delay action on a specific formula for License fees until after the pending proposal for Cherokee Lane and Downtown redevelopment is available, so that the needs of such projects can be determined and such information be used in formulating any new ordinance dealing with Business License Fees.

It is the prevailing opinion of Chamber members that any new revenues that may be generated by Business License Fees should be used for projects that will directly benefit business within the City and not for projects that are generally considered Community Service or Social Benefit projects.



R A L P H A N D E R S E N  
& A S S O C I A T E S



PA



**Ralph Andersen  
& Associates**

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Sacramento, California 95825  
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**November 22, 1993**

**FINAL REPORT  
RECOMMENDED FRAMEWORK  
FOR THE CITY'S  
BUSINESS LICENSE  
TAX ORDINANCE**

***CITY OF LODI***

***Sacramento   ■   Dallas   ■   Newport Beach***



Ralph Andersen & Associates

## **RESULTS OF THE LODI BUSINESS TAX STUDY: AN OVERVIEW**

Ralph Andersen & Associates was retained by the Old Lodi High School Site Foundation to look at opportunities for increasing revenue generation capabilities of the City's current business license tax ordinance while improving equity and administration of the tax. General findings and recommendations from the analysis follow.

### **THE EXISTING ORDINANCE**

- The taxing structure and rates have not been adjusted since 1948
- Revenue generation as a percentage of general fund revenues is .5%, as reported in the 1991-92 State Controller's Report, is significantly behind the Statewide average of 5.8% and the practices of area cities
- Because the basis of taxation is number of employees, revenues generated do not reflect changing economic conditions
- Related to the above, annual growth of business license tax revenues have averaged only 2.5% during the past five years, which is significantly below Statewide and area averages
- In terms of equity, the use of number of employees as a taxing base does not accurately reflect business volume or ability to pay.

### **THE PROPOSED ORDINANCE**

- Classifies all business activity into 11 broad categories of business to allow for the application of varying tax rates and taxing measures

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***Results of the Lodi Business Tax Study:  
An Overview  
Page 2***

- Relies on gross receipts as the primary basis of taxation to ensure equity and to ensure revenues reflect changing economic conditions
- Includes a varying tax rate structure to reflect variations in profitability and ability to pay
- Includes tax rates to generate (1) \$1.1 million in revenue consistent with Statewide averages, (2) \$900,000 and (3) \$700,000.

**For more detailed information on the results of this analysis, please refer to the body of our report dated November 22, 1993.**



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## **CHAPTER I INTRODUCTION**

*Ralph Andersen & Associates* was retained by the Old Lodi High School Site Foundation to develop and provide guidelines for implementing a revised business license tax ordinance for the City of Lodi. The current business license tax ordinance for the City has not been reviewed or revised since 1948. As a result, there are significant opportunities to improve the ordinance in terms of equity, revenue generation capabilities, and administrative ease. Based on the City's objectives, and practices and trends statewide in this field, we have prepared a suggested framework for the revised ordinance. This Report presents our findings and recommendations.

As an introduction, this chapter contains:

- *The background for undertaking the study*
- *Study goals and objectives*
- *Summary of current business license tax ordinance.*

The current business license tax structure is summarized at the end of this chapter to provide a basis of comparison between the existing and the proposed business license tax framework.

### **BACKGROUND**

Cities in California have had the authority to levy business license taxes for many years. In the past, cities used a business license tax primarily for regulatory purposes. As such, the amount of the tax was low and was primarily designed to cover the cost of regulating certain business activities. Considerations regarding internal equity of tax rates and taxing measures were not a concern. Neither were issues regarding revenue generation or administrative simplicity.

In recent years, and particularly under the current budget constraints, cities in California are utilizing the business license tax as a general revenue raising measure. This trend reflects the interest of cities in developing a broader and more secure revenue base. It also reflects basic changes that have occurred in the State and local tax structure, including elimination of the business inventory tax, the inability to adjust local property and sales taxes, and the loss of state and federal subsidies.

Given that the City of Lodi has not reviewed or revised its business license tax ordinance since 1948, tax rates are low, thus negatively impacting revenue generation capabilities. One of the objectives of the Foundation, supported by the Chamber of Commerce and the City, is to use additional funds generated through revising the business license tax ordinance to improve public facilities. The end result of this objective is beneficial both to the City and to businesses. In addition, the revised ordinance would create a "win-win" for the business community and the City by improving equity, through treating similar businesses similarly, and developing guidelines to make the ordinance easier to administer and monitor compliance. For all of these reasons, *Ralph Andersen & Associates* has been retained to evaluate and revise the current business license tax ordinance.

#### **STUDY GOALS AND OBJECTIVES**

Recognizing that increasing business license tax rates without revising the basic structure of the tax could compound inherent weaknesses in the ordinance, all components of the ordinance have been revised. In developing the framework for the ordinance, three key objectives were identified. These include:

- *Improve the equity of the business license tax including ensuring (1) that similar businesses are treated similarly, (2) that the taxing structure reflects general profitability and ability to pay, and (3) that all legitimate businesses are clearly subject to the tax*
- *Evaluate alternative revenue capabilities*
- *Enhance administrative ease and compliance.*

To facilitate review of the findings and recommendations contained herein, this Report is organized into the following chapters:

- *Chapter I — Introduction*
- *Chapter II — Assessment of the Current Business License Tax Ordinance*
- *Chapter III — Key Components of the Revised Ordinance*
- *Chapter IV — Recommended Framework for the Business License Tax Ordinance*
- *Chapter V — Administrative Considerations*
- *Chapter VI — Assessment of the Proposed Ordinance*

These end-products resulted from the completion of a series of different work tasks, including an initial meeting with Members of the Old Lodi High School Site Foundation and numerous contacts with City staff to confirm revision goals and objectives. In addition, a comprehensive review and analysis was conducted of the City's current business license tax ordinance, supporting documentation was evaluated, and a comparison survey of business license tax rates and total tax structure was also conducted.

To provide a basis of comparison, a summary of the key components of the current business license tax ordinance follows.

#### **STRUCTURE OF THE CURRENT BUSINESS LICENSE TAX ORDINANCE**

As of October 1993, the City of Lodi recorded only 3,900 active business licenses. For purposes of taxation, the current ordinance does not identify specific business categories, with the exception of specialty categories shown in Exhibit I-A.

The primary fee schedule currently in place charges most businesses on the basis of a bracketed average number of employees structure. This structure applies to all businesses except those listed in Exhibit I-A, which are taxed based on a flat fee. In addition, there are businesses listed in Section 5.04.090 of the ordinance that are exempt from paying a business license tax, including the following:

- *Delivery businesses without a fixed place of business in the City*
- *Charities*
- *Religious, educational, fraternal, and governmental organizations*
- *Garbage collectors under contract or agreement with the City*
- *Utilities, banks and insurance companies.*

EXHIBIT I-A - SPECIALTY BUSINESS CATEGORIES	
Amusement rides and similar concessions, children's	
Amusement rides and similar concessions, adults	
Astrologers, fortunetellers	
Auctioneer	
Bowling	
Bowling and pool or billiards	
Boxing and wrestling	
Carnivals	
Circuses and side shows	
Crane, claw or grab machines	
Dances	
Dice or card games	
Junk dealer (resident)	
Junk dealer (non-resident)	
Pawnbroker	
Peddlers and solicitors	
Peddlers and solicitors, personally manufactured goods and products	
Pool, billiards	
Swimming pools	
Theaters, occasional	
Grape Festival (a)	
(a) The Grape Festival is also taxed on a flat fee, but is described in Section 5.040.070 of the current ordinance.	

Currently, the City taxes businesses with fixed places of business in the City, and those with fixed places of business outside of the City differently. Exhibit I-B illustrates the tax payments due for businesses inside and outside of the City.

EXHIBIT I-B - TAX PAYMENTS FOR BUSINESSES INSIDE AND OUTSIDE OF THE CITY	
Fixed Place of Business in the City	Fixed Place of Business Outside the City
\$15 per first employee	\$30 per first employee
\$3 per employee for the next nine employees	\$6 per employee for the next nine employees
\$1 per employee for the next forty employees	\$2 per employee for the next forty employees
\$0.50 per employee, over fifty employees	\$1 per employee, over fifty employees

Sections of the City's current business license tax ordinance that present the various taxing schedules are contained in Appendix A.

## **CHAPTER II OVERVIEW ASSESSMENT OF THE CURRENT ORDINANCE**

As the basis for revising and improving the City's existing business license tax ordinance, a comprehensive overview assessment of the current business license tax ordinance was completed. The objective of the assessment was to identify the areas of the current ordinance that could be improved in terms of equity, revenue generation capabilities, and ease of administering and enforcing compliance.

This chapter presents an assessment of the current business license tax ordinance relative to each of the concerns mentioned previously. To facilitate review, the findings from this assessment are presented in the following sections:

- *Equity of the Current Business License Tax*
- *Ability of the Tax to Generate Revenue*
- *Administrative Complexity of the Tax*

The overview assessment provides the foundation for the subsequent analysis presented in the remainder of the report.

### **EQUITY OF THE CURRENT BUSINESS LICENSE TAX**

As previously indicated, special attention has been given to analyzing the general equity of the City's current business license tax. In evaluating this element of the ordinance, the consultants have assessed whether or not similar businesses are treated in a like fashion under the ordinance, whether or not tax rates reflect a general ability to pay and whether or not all viable businesses are clearly subject to the tax.

In analyzing the general equity of the current business license tax ordinance, the following factors have been considered:

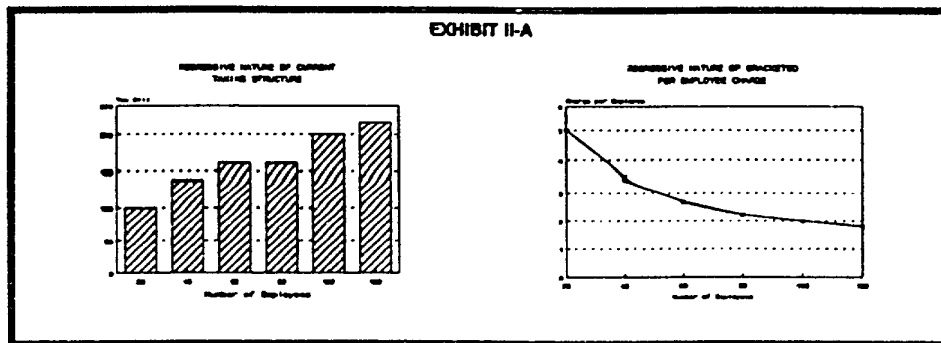


- *Nature of the current rate structure, including an assessment of the extent to which it may be regressive*
- *Application of the rate structure to businesses generally, including an assessment as to whether similar businesses are treated differently*
- *Nature of the current classification structure, including an assessment as to whether similar businesses are treated differently*
- *Current tax rates, including an assessment as to whether taxing ratios and/or tax rates reflect the variations in general profitability among broad classes of business*
- *Application of the current ordinance to classes of business generally, including an assessment as to whether significant business categories are not presently subject to or are exempt from payment of business license taxes.*

General weakness of the current business license tax in terms of equity that have been identified are presented below and on the following pages.

**THE CURRENT BUSINESS LICENSE TAX STRUCTURE PLACES A HEAVIER TAX BURDEN ON BUSINESSES WITH FEWER EMPLOYEES**

The City's bracketed employee taxing structure is regressive, and results in placing a greater tax burden on smaller businesses with fewer employees. As indicated in Exhibit II-A, as the number of employees increase, the tax rate per employee declines, thus reflecting the regressive nature of this taxing structure. As indicated, this type of taxing structure places a heavier tax burden on smaller businesses, with fewer employees.



**THE CURRENT BUSINESS LICENSE TAX STRUCTURE PLACES AN UNFAIR TAX BURDEN ON LABOR INTENSIVE BUSINESSES**

The primary taxing structure used in the City's current ordinance is number of employees. With respect to equity, it is difficult to relate number of employees to ability to pay. The result of this type of taxation is that businesses that are labor intensive are penalized while those businesses having high profit margins but fewer employees contribute marginally to the City's business license tax revenues.

**"OUTSIDE CITY" BUSINESSES ARE TREATED DIFFERENTLY THAN OTHER BUSINESSES PROVIDING THE SAME SERVICES**

The current ordinance taxes businesses headquartered outside of the City differently than similar businesses headquartered inside the City. This practice is extremely inequitable. While some variations may be warranted in certain circumstances, generally similar business activities should be treated similarly to promote equity.

**SIMILAR TYPES OF BUSINESSES ARE TREATED DIFFERENTLY**

There are many instances in which similar businesses are treated differently with respect to the basic tax rates that are levied. For example, there is a \$5/month flat fee charged for amusement rides for children, while businesses pay a \$10/month flat fee for amusement rides for adults. The table in Exhibit II-B illustrates cases where these type of inequities exist, i.e. variations in tax rates despite the similarity of business activity. The table is not intended to identify all cases where these types of inequities exist.

It should be noted, however, that variances between similar businesses in some areas may be warranted and encouraged, especially when regulation of a specific business activity is necessary. However, such variances are not always justified and raise concerns of equity.

EXHIBIT II-B - SIMILAR BUSINESSES THAT ARE NOT TREATED SIMILARLY	
Business Activity	Similar Business Treated Differently
Amusement Rides	Amusement rides for children's (\$5/mo.). Amusement rides for adult's (\$10/mo.)
Bowling	Bowling (\$24/yr) vs. Bowling and Pool or Billiards (\$30/year) vs. Pool, Billiards (\$24/yr)
Junk Dealer	Junk Dealer-residents (\$15/quarter) vs. Junk Dealer-non-residential (\$30/quarter)
Peddlers	Peddlers & Solicitors (\$10/day) vs. Peddlers & Solicitors, personally manufacturing goods or products (\$5/quarter)
Carnivals and Circuses	Carnivals (\$100/day), Circuses and Side Shows (\$30/day) vs. Lodi Grape Festival and National Wine Show (\$25/day)

**LACK OF BUSINESS CLASSIFICATIONS DOES NOT PROMOTE THE USE OF TAXING RATIOS**

Business license tax ordinances typically group similar or related businesses into logical categories or classifications for purposes of taxation. From the standpoint of equity, classifications are used because they permit a different tax rate or basis of taxation to be applied according to the profitability or nature of a particular type or classification of business.

In Lodi, there are no business categories to reflect major business activities in the City, thus the City does not have the flexibility to apply differing tax rates based on profitability and ability to pay. This potentially places a higher tax burden on those businesses that have lower profit margins than might otherwise be warranted.

**BUSINESS ACTIVITY NOT SUBJECT TO THE BUSINESS LICENSE TAX**

Although engaged in profitable business activities within the City, some businesses are not clearly subject to the payment of a business license tax. Because there are no specific business categories outlined in the ordinance, some businesses may obtain the impression that they are not subject to the business license tax. Examples of businesses operating in the City that presently pay no business license tax include the rental of residential and non-residential property.

**SOME BUSINESSES ARE EXEMPTED FROM PAYING A BUSINESS LICENSE TAX**

In the current ordinance, public utilities, garbage collectors, and delivery businesses are exempt from paying a business license tax. Because these are viable business activities, this raises concerns of equity. There are no legal stipulations that refrain these business from paying a business license tax.



In summary, opportunities clearly exist for improving the overall equity of the tax by modifying the current classification system, taxing measures and tax rate structure.

## **ABILITY OF THE TAX TO GENERATE REVENUE**

A second issue that has been explored in reviewing the effectiveness of the current business license tax ordinance is the ability of the business license tax to generate revenue for the City and reflect changing economic conditions. Other issues involve the basic competitiveness of the tax with selected cities for comparison purposes.

In analyzing these issues and concerns, the following factors have been reviewed:

- *Comparison of the relative importance of the business license tax as a revenue source to the City in comparison with general fund revenues*
- *A historical review and comparison of revenue growth under the current business license tax ordinance and in relationship to selected comparison cities*
- *Nature of the current rate structure, including an assessment of the extent to which it is or is not likely to reflect economic growth and changes in the economy generally*
- *Nature of current business license tax rates, including an assessment of their ability to generate revenue for the City.*

The following cities have been selected jointly with City staff for purposes of evaluating the City's competitiveness:

- |                    |                     |
|--------------------|---------------------|
| ■ <i>Davis</i>     | ■ <i>Sacramento</i> |
| ■ <i>Galt</i>      | ■ <i>Stockton</i>   |
| ■ <i>Manteca</i>   | ■ <i>Tracy</i>      |
| ■ <i>Modesto</i>   | ■ <i>Woodland</i>   |
| ■ <i>Roseville</i> | ■ <i>Yuba City.</i> |

To facilitate review, analysis of the ability of the City's business license tax to generate revenue is presented in the following subsections:

- *Business License Tax Revenue In Relationship To City General Fund Revenue*
- *Business License Tax Revenue Growth*
- *Comparison of Lodi's Business License Tax Rate Structure with Comparable Cities*

- *Comparison of Total Tax Structure of the City With That in Comparable Cities*
- *Revenue Generation Capabilities.*

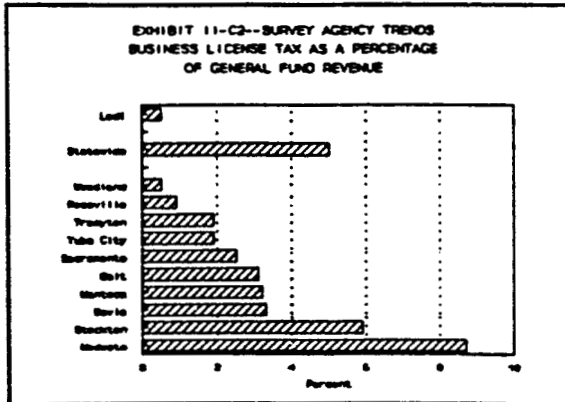
Tables and graphs have been prepared, as appropriate, to illustrate the findings in each of these areas.

#### **BUSINESS LICENSE TAX REVENUE IN RELATIONSHIP TO GENERAL FUND REVENUE**

Based on City records, revenues generated from the business license tax in the City of Lodi represented 0.5% of the City's total general fund revenues. This is based on total business license tax revenues of \$94,692 against a general fund of \$17,524,313. In comparison, business license tax revenue as a percentage of general fund revenues represents nearly 5.8% on a statewide basis.

Exhibit II-C1 provides information on business license tax revenue relative to general fund revenue for the comparison cities noted previously. In that the most recent State Controller's Report available is for 1991-92, this year was selected for comparison purposes. As indicated in Exhibit C1 and presented graphically in Exhibit II-C2, business license tax revenues as a percentage of general fund revenue in the City of Lodi falls significantly behind the survey average (3.2%) and the survey median (2.8%).

<b>EXHIBIT II-C1 - BUSINESS LICENSE TAX AS A PERCENTAGE OF GENERAL FUND REVENUE</b>			
	<b>Business License Tax Revenue: 1991-92</b>	<b>General Fund Revenue: 1991-92</b>	<b>Percentage BLT of General Fund</b>
Davis	530,124	16,222,804	3.3%
Galt	97,556	3,154,963	3.1%
Manteca	283,253	8,830,363	3.2%
Modesto	4,806,001	55,586,772	8.7%
Roseville	242,290	25,855,587	.9%
Sacramento	3,961,699	157,100,982	2.5%
Stockton	4,733,360	80,132,277	5.9%
Tracy	246,576	12,959,783	1.9%
Woodland	73,341	13,760,282	.5%
Yuba City	209,877	10,824,037	1.9%
Statewide	585,383,182	10,078,146,441	5.8%
Lodi	94,692	17,524,313 (b)	.5%
(a) Source: Financial Transactions of Cities, State Controllers Report.			
(b) This figure was provided from the City and includes "in lieu" taxes that are also part of the enterprise fund.			



Comparison Statistics	
Lodi	.5%
Survey Average	3.2%
Survey Median	2.8%

Based on this one piece of information, the City has significant opportunities for increasing business license tax revenues. If the City's business license tax as a percentage of general fund revenues was brought up to the Statewide average, the City could raise approximately \$1.1 million in business license tax revenue.

#### **BUSINESS LICENSE TAX REVENUE GROWTH**

Exhibit II-D shows that business license tax revenue growth in Lodi was slower than all of the survey agencies between 1986/87 and 1991/92, with an average annual growth rate of 2.5%. The data compiled from the State Controller's report indicates that the average annual growth rate of the survey agencies ranged from 6.1% in the City of Davis to over 41% in the City of Manteca. Excluding the Statewide average annual growth, the survey average business license tax revenue annual growth rate over five years was 16% and the survey median average annual growth rate was 13.4%.

EXHIBIT II-D - BUSINESS LICENSE TAX GROWTH TRENDS: CITY OF LODI AND COMPARABLE CITIES (a)			
	Business License Tax Revenues 1986-87	Business License Tax Revenues: 1991-92	Average Annual Growth Rate
Davis	406,148	530,124	6.1%
Galt	58,413	97,556	13.4%
Manteca	92,250	283,253	41.4%
Modesto	3,210,616	4,808,601	10.0%
Roseville	145,598	242,290	13.3%

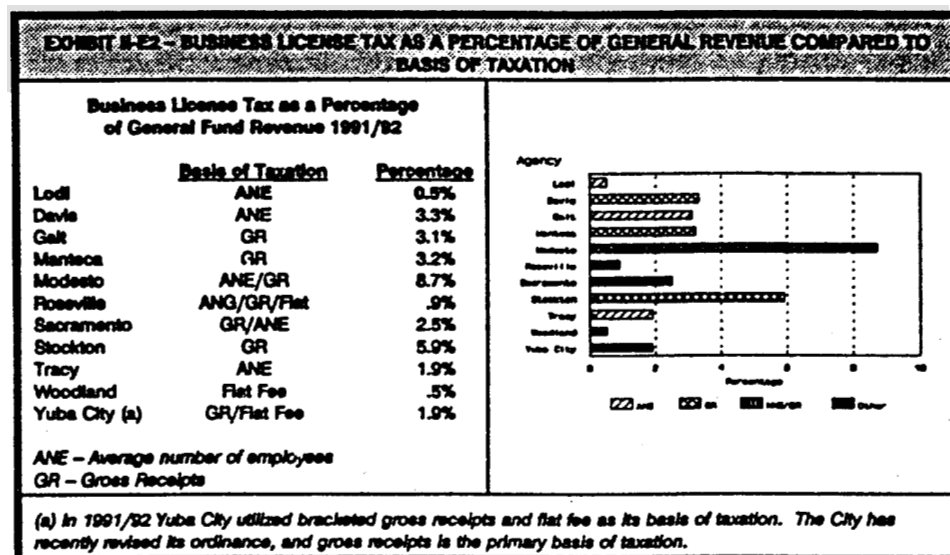
EXHIBIT II-D - BUSINESS LICENSE TAX GROWTH TRENDS: CITY OF LODI AND COMPARABLE CITIES (a)			
	Business License Tax Revenue: 1986-87	Business License Tax Revenue: 1991-92	Average Annual Growth Rate
Sacramento	2,878,562	3,981,000	7.7%
Stockton	3,091,928	4,733,390	10.6%
Tracy	92,295	246,576	33.4%
Woodland	42,184	73,341	14.8%
Yuba City	150,540	209,877	7.9%
Statewide	414,147,586	585,383,182	8.3%
Lodi	84,182	94,692	2.5%
Average	16%		
Median	13.4%		
(a) Source: Financial Transactions of Cities, State Controllers Report.			

#### COMPARISON OF LODI'S BUSINESS LICENSE TAX RATE STRUCTURE WITH COMPARABLE CITIES

The nature of an agency's business license tax rate structure directly impacts the ability of the tax to reflect changing economic conditions. This is clearly reflective of an analysis of the City's tax rate structure as compared with the practices of the ten selected survey agencies. Four of the survey agencies tax their major business categories based on gross receipts, while two agencies, City of Sacramento and Modesto, use both gross receipts and average number of employees as their taxing measure. The City of Galt and the City of Tracy primarily tax businesses based on average number of employees. The City of Woodland taxes businesses based on a flat fee and the City of Roseville uses varying taxing measures including flat fees, average number of employees, and gross receipts. These results are depicted in Exhibit II-E1, with the detailed survey results presented in Appendix B.

As is shown in Exhibit II-E2, with the exception of Yuba City, all of the survey agencies who tax their businesses based on a gross receipts taxing structure are at or above the comparison survey average of 3.2% regarding business license tax as a percentage of general fund revenue. The City of Yuba City currently taxes businesses based on gross receipts, but the figure reported in the 1991/92 Controller's Report is based on a bracketed Gross Receipts/Flat Fee tax structure.

EXHIBIT II-E1 - SURVEY AGENCY TRENDS: PRIMARY BASIS OF TAXATION											
Basis of Taxation	Lodi	David	Galt	Manteca	Modesto	Roseville	Sacramento	Stockton	Tracy	Woodland	Yuba City
Gross Receipts		✓		✓	✓	✓	✓				✓
Avg. Number of Employees	✓		✓		✓	✓	✓		✓		
Other						✓				✓	



### COMPARISON OF LODI'S LOCAL TAX STRUCTURE WITH COMPARABLE CITIES

In revising the business license tax ordinance, careful attention is being paid to the impact that the current business license tax has on encouraging or discouraging new businesses from coming into the area or influencing existing businesses to stay. Recognizing that other taxes also have the potential of impacting growth and development in the City, the comparable cities previously referenced were contacted and information was collected on other local tax sources utilized and the respective rates applied. The specific tax sources surveyed include:

- Property Transfer Tax
- Utility Users Tax
- Transient Occupancy Tax



In reviewing the local tax sources other than the business license tax, the City's tax burden is competitive with the comparison agencies regarding the property transfer tax. Regarding the utility user tax, half of the surveyed agencies levy the tax, ranging from 5% in the City of Roseville to 10% in the City of Manteca, and half of the agencies do not levy the tax. The transient occupancy tax ranges from 6% to 11.5%. These results are summarized in Exhibit II-F.

#### **SUMMARY**

In summary, based on the analysis presented in this section, the City's current business license tax structure is not an effective revenue generating source. In comparing the City's revenue generation capabilities with neighboring cities, the following observations can be drawn:

- *Resulting business license tax payments due are generally low in relationship to the comparison survey agencies due to the regressive per number of employee taxing structure and due to the fact that the rates have not been adjusted since 1948.*
- *Business license tax revenue as a percentage of general fund revenue in Lodi in 1991/92 was significantly less than the overall survey average and the survey median.*
- *Business license tax revenue growth is less than all of the survey agencies due primarily to the low tax rates and the bracketed per employee taxing structure.*
- *The overall tax burden in Lodi, excluding the business license tax, is less than comparison survey agencies in that the City does not levy a utility users tax and the base transient occupancy tax is less than the majority of the comparison survey agencies.*

Compounding the equity concerns with the revenue generation shortcomings, the City has significant opportunities to improve the ordinance.

#### **ADMINISTRATIVE COMPLEXITY OF THE TAX**

A final question that has been explored relative to the current business license tax ordinance is the question of administrative complexity. Concerns focus on the ease of administering and complying with the provisions of the tax, as well as the cost of administration and compliance for both the City and the business community.

EXHIBIT E-F - COMPARISON OF LOCAL TAX STRUCTURE											
	Leff	Perish	Ball	Mountain	Mountain	Mountain	Mountain	Mountain	Tracy	Mountain	Tracy City
Property Transfer Tax	\$ .55/ 1000	\$ .55/ 1000	\$ .55/ 1000	\$ .55/ 1000	\$ .55/ 1000	\$ .55/ 1000	\$ .55/ 1000	\$ .55/ 1000	\$ .55/ 1000	\$1.10/ 1000	\$ .55/ 1000
Utility User Tax	None	None	None	10% NTE \$35/mo. for residential	6%	6%	6%	7.5%	None	None	None
Transient Occupancy Tax	6% + a 5% sur- charge	10%	10%	9%	9%	6%	6%	11.5%	10%	10%	6%

EXHIBIT E-F - COMPARISON OF LOCAL TAX STRUCTURE											
	Leff	Perish	Ball	Seaside	Midland	San Jacinto	San Marcos	San Diego	Tracy	Woodland	Yuba City
Property Transfer Tax	\$.55/ 1000	\$.55/ 1000	\$.55/ 1000	\$.55/ 1000	\$.55/ 1000	\$.55/ 1000	.00275 based on value of consider- ation	\$2.25/ 1000 of sale price	\$.55/ 1000	\$1.10/ 1000	\$.55/ 1000
Utility User Tax	None	None	None	10% NTE \$35/mo. for residential	6%	6%	7.5%	8%	None	None	None
Transient Occupancy Tax	6% + a 5% sur- charge	10%	10%	9%	9%	6%	11.5%	8%	10%	10%	6%

In analyzing these components of the current business license tax ordinance, the following factors have been considered:

- *Organization and format of the current ordinance*
- *Length and complexity of the current ordinance*
- *Extent to which the current ordinance includes all provisions necessary for proper understanding and administration of the ordinance*
- *Extent to which application of the ordinance to various classes of business is documented and consistently applied*
- *Extent to which provisions simplifying computation and payment of the tax are included in the current ordinance*
- *Enforcement of the current ordinance.*

Although the ordinance is generally complete and the length of the document is manageable, there are opportunities to enhance the ease of administering and complying with the business license tax ordinance. These areas are highlighted below and on the following pages.

- **No Business Classifications** — The current ordinance does not have designated business categories for businesses taxed based on average number of employees. Administratively, this may create enforcement challenges because viable business may obtain the impression that they are excluded from paying a business license tax. Development of business classifications will not only improve the equity of the ordinance, but likewise will improve administration of and compliance with the ordinance.
- **Provisions In The Ordinance Are Excluded** — In some areas, key provisions supporting other components of the ordinance are excluded. Examples include the following.
  - While the ordinance includes a provision for examination of records, there is no provision in the ordinance guaranteeing confidentiality. Because the ordinance indicates that the City has the authority to "... examine any papers, records, and memoranda ..." (Section 5.04.340), there should also be a provision that ensures that the Collector or designee, will not make known the business affairs, operations or information obtained from the examination, except as it relates to the business license tax paid.

- The current ordinance does not include apportionment guidelines. By developing constitutional apportionment guidelines, the City would ensure that undue burden would not be placed upon interstate commerce or be violative of the equal protection and due process clauses of the Constitution of the United States and the State. This provision would also alleviate inequities that currently exist with taxing businesses with fixed locations in the City differently than those with fixed locations outside of the City.
- There is no clear definition in the ordinance of the designated "Collector" of the business license tax. In describing enforcement powers, the Director of Finance is referenced (Section 5.04.360), however no specific section defines the Director of Finance as the Collector. Should a business owner have questions or concerns, it is not clear where they should be directed.
- **Definition for Average Number of Employees** — The definition for average number of employees (Section 5.04.020) is cumbersome and would be difficult to administer and enforce. The formula described for determining average number of employees with businesses fixed in the City could be more clearly defined by indicating the number of hours or days used in the formula, rather than referring to "... customs or laws governing such employment." For the businesses with no fixed location in the City, the three days mentioned in the definition is not referenced in any other place in the ordinance, therefore is confusing. With the language being both confusing and cumbersome, businesses may not comply.
- **There Is No Administrative Fee For Issuing Licenses** — The business license tax ordinance does not include a provision for charging an administrative fee for processing business license tax applications. For businesses that are exempt from paying a business license tax (Section 5.04.080) and home occupations whose annual gross receipts are less than \$1,000 (Section 5.04.080), a business license is required. Given that processing the application and preparing the license takes staff time, an administrative fee to cover these costs could be assessed.
- **General Lay-Out of Ordinance** — The general flow and layout of the ordinance is cumbersome because administrative and revenue raising sections are combined. In order to make the ordinance easier to read, thus easier to comply with, administrative and revenue raising provisions should be separated. Each of these sections should be clearly highlighted.

**SUMMARY**

Based on these findings and observations, the framework for a revised business license tax ordinance has been prepared. The recommended revisions improve the equity, administration/compliance and revenue generation capabilities of the existing tax. The key components of the revised ordinance are presented in Chapter III, with a summary of resulting tax rate structure included in Chapter IV.

## **CHAPTER III KEY COMPONENTS OF THE REVISED ORDINANCE**

To develop a framework for the revised ordinance which addresses the observations regarding equity, administration/compliance and revenue elasticity identified in the overview assessment, the framework for the revised ordinance must:

- *Include a system for classifying businesses*
- *Identify taxing measures for each business classification*
- *Identify taxing ratios between business classifications.*

Recommendations in each of these areas are presented below and on the following pages. The resulting tax rate structure options are presented in the next chapter.

### **BUSINESS CLASSIFICATION SYSTEM**

The business classification system refers to the different categories of business activity identified in a business license tax ordinance for purposes of taxation. The business classification system is important from the perspective that it:

- *Allows application of varying tax measures*
- *Allows application of varying tax rates*
- *Assures that all business activities are taxable.*

Classifications are used as a means of grouping similar or related businesses into logical categories for purposes of taxation. From the standpoint of equity, they are used because they permit a different tax rate or basis of taxation to be applied according to the profitability or nature of a particular type or class of business.

Cities have considerable flexibility in the way in which they classify business for taxing purposes. As indicated in a League of California Cities report on this subject:

*"The restriction that license taxation shall not deny equal protection of the laws does not require the adoption of an ironclad rule of equal taxation, nor prevent differences in taxation, discretion in the selection of subjects, or classification for taxation purposes of different businesses, trades, and professions. The only requirement of the constitutional provisions is uniformity in the operation of the taxing power and this requirement is satisfied when the charge is uniform as to the class to which it applies. Thus, while a licensing ordinance may not discriminate in the burden of the charge placed on those exercising the same privileges, in the same manner within the same jurisdiction, the legislative body may classify business carried on within its limits and impose a license tax on all those naturally falling within such class different in amount from that charged those within all other classes, fixing the different charges on the separate classes by any standard which is fair and reasonable and not confiscatory."*

*"A legislative body has wide discretion in the imposition of license taxes, and the right to classify for such purposes is of wide range and flexibility. Unless unreasonableness plainly appears, the determination of the legislative body is final. But classification may not go to the extent of being a mere subterfuge for legislation directed against a particular group of taxpayers."*

The City's current ordinance does not have categories describing major business activity. Because of this practice, all businesses are treated the same, thus the ordinance does not take into consideration profitability or ability to pay. In ensuring that the revised ordinance is equitable, and to enhance the ease of administration, a sound business classification system must be developed.

In designing the new classification system, the following factors have been considered:

- *The number of business classifications to ensure that they are not too numerous to negatively impact administration and enforcement*
- *Business groupings and consolidations to ensure that similar businesses are treated similarly*
- *Individual business categories to reflect unique administrative considerations and variations in profitability*

- Total business classification system to ensure that all legitimate businesses are clearly subject to the tax.

Based on an analysis of current businesses in the City, and using Standard Industrial Codes, Exhibit III-A1 presents the recommended business classification system.

EXHIBIT III-A1 - RECOMMENDED BUSINESS CATEGORIES	
Administrative Headquarters	
Contractors	
Manufacturers	
Professions	
Public Utilities	
Recreation & Entertainment	
Rental of Non-Residential Property	
Rental of Residential Property	
Retail	
Services	
Wholesale	

Exhibit III-A2 summarizes how the specialty business categories in the current ordinance have been consolidated into the recommended business categories. A few of the specialty categories will be included in the regulatory portion of the ordinance that is currently being prepared. In addition to the 11 business classifications recommended, the revised ordinance should include a "catch all" classification designed to apply to all businesses not specifically covered by other parts of the ordinance.

EXHIBIT III-A2 - MERGING OF SPECIALTY BUSINESS CATEGORIES INTO RECOMMENDED BUSINESS CLASSIFICATIONS	
Current Business Category	Recommended Business Category
Amusement Rides, Children	Regulatory
Amusement Rides, Adults	Regulatory
Astrologer, Fortune Tellers	Recreation & Entertainment
Auctioneer	Retail
Bowling	Recreation & Entertainment
Bowling & Pool or Billiards	Recreation & Entertainment
Carnivals	Regulatory
Circuses & Side Shows	Regulatory
Crane, saw or grab machines	Regulatory
Dances	Recreation & Entertainment



EXHIBIT III-A2 – MERGING OF SPECIALTY BUSINESS CATEGORIES INTO RECOMMENDED BUSINESS CLASSIFICATIONS	
Current Business Category	Recommended Business Category
Dice or Card Games	Recreation & Entertainment
Junk Dealer (resident)	Retail
Junk Dealer (non-resident)	Retail
Pawnbroker	Retail
Peddlers & Solicitors	Regulatory
Peddlers & Solicitors, personally manufactured goods or produce	Retail
Pools, Billiards	Recreation & Entertainment
Swimming Pools	Recreation & Entertainment
Theaters	Recreation & Entertainment
Grape Festival	Regulatory

The business classes recommended to be included within the classification structure have been developed to:

- *Ensure that all businesses operating within the City are clearly subject to the tax*
- *Ensure that similar businesses are treated similarly*
- *Allow for the use of alternative taxing measures for unique situations*
- *Allow for the application of variable tax rates that reflect profitability.*

Definitions of the primary business classifications are presented in Appendix C.

### **TAXING MEASURES**

Based on the general practices of cities throughout California, alternative tax measures available to the City of Lodi include:

- *Flat fee*
- *Gross receipts*
- *Average number of employees*
- *Gross Payroll*

The advantages and disadvantages of each are summarized in Exhibit III-B. General observations are presented below.

EXHIBIT III-B - SUMMARY ANALYSIS OF ALTERNATIVE TAXING MEASURES			
Taxing Measures	Objectives		
	Equity	Administration	Revenue Elasticity - Reflection of Economic Change
Flat Fee	Highly regressive	Simple	Limited; revenue change linked only to addition of new businesses
Number of Employees	Moderately regressive	Simple	Limited; revenue change linked to addition of new businesses and new employees
Gross Receipts	Accurately reflects differences in business volume	Potentially more complex, but can be moderated as a matter of policy	Strong; reflects changes in volume and value of goods
Gross Payroll	Moderately regressive	Simple	Moderate; reflects changes in volume and wage rates

- **Flat Fee** — The use of flat fees as a taxing measure is most often defended on the grounds that it is the least complex of the available alternatives to administer. Because no computation is involved, there is little compliance cost for business. Similarly, the tax is relatively easy and inexpensive for the City to administer. The use of flat fees can make revenue estimating easier, and it can be a particularly effective manner of taxing certain businesses where enforcement might otherwise be a problem.

On the other hand, the use of flat fees can result in a highly regressive rate structure because the same fee is applied to a variety of businesses without any consideration of business of volume or the profitability of those businesses. As compared to other measures which more accurately reflect business done within the City, flat fees can be particularly unfair when applied to those doing limited business within the City.

Furthermore, the use of flat fees does not provide the City with a revenue source that adjusts to changing economic conditions. Not only do flat fees produce less revenue initially than other alternatives because they do not measure price or volume of goods produced, but they are deficient in terms of growth in that additional revenue is only produced for the City through an upward adjustment of license fees or an increase in the number of firms doing business in the City.

- ***Average Number of Employees*** — From the standpoint of levying business license taxes for revenue-raising purposes, the use of average number of employees is superior to a flat fee because increases in revenue yield are not entirely dependent on the addition of new businesses to the community. Rather, revenues grow as employment increases.

As compared to a flat fee, the use of average number of employees also does a better job of distinguishing between businesses for taxing purposes by providing a rough measure of business volume. Furthermore, employers have little difficulty computing average number of employees because they are presently required to keep records for social security and withholding purposes. From the standpoint of the City, few administrative problems are encountered.

While the use of average number of employees as a tax measure is substantially better, in most cases, than a flat fee, it does have problems. With respect to equity, it is difficult to relate average number of employees to ability to pay. Furthermore, while it does provide some measure of business volume, it tends to penalize those businesses that are labor intensive while virtually ignoring those having high profit margins but few employees. If the tax rate declines as number of employees increases, then the business license tax structure can become highly regressive.

- ***Gross Receipts*** — From the standpoint of equity and developing a tax that reflects changes in the economy, gross receipts is clearly advantageous. Not only does this measure of taxation offer a broad tax base, thereby permitting the City to raise revenue from this source based on relatively low tax rates, but it also allows for reasonable revenue growth without adjusting tax rates, inasmuch as it is responsive to overall changes in the economy.

Although more complicated than a flat fee, taxpayer compliance is not unnecessarily complex. As indicated in a recent survey conducted by *Ralph Andersen & Associates* on business licensing practices and policies throughout California, gross receipts is the most common and preferred method of taxing major business activities such as retailers, wholesalers, manufacturers, contractors, service industries and professionals. Because the tax is levied against only that business which is done within the City, the use of gross receipts assures that double taxation will not occur.

- **Gross Payroll** – Unlike gross receipts which takes into account both changes in price and volume of goods, gross payroll as a tax measure accounts only for changes in wage rates. While this can minimize the tax obligation to a business and the resulting tax revenue to the City, the erosion of taxable base may be offset by the fact that administration is less costly and complex. As compared to some of the broad tax measures described previously, gross payroll can be more limited in its application in that it is only a practical alternative with respect to those classes of business that employ sufficient persons to make gross payroll a realistic tax base.
- **Other** – Local agencies have used a wide variety of other tax measures in specialized circumstances including number of vehicles, seating capacity, number of units, and square footage. Some have even expressed interest in net income as a basis for taxation. While this type of approach is the most equitable, State law presently prohibits agencies from imposing a tax based on net income (refer to Section 17041.5 of the Revenue and Taxation Code).

Taking these observations into account, Exhibit III-C presents the recommended taxing measures by business classification. General observations supporting the use of gross receipts against the issues of equity, revenue generation and administration follow thereafter.

EXHIBIT III-C – RECOMMENDED TAXING MEASURE	
Business Classification	Taxing Measure
Administrative Headquarters	Cost of Operations
Contractors	Gross Receipts
Manufacturers	Gross Receipts
Professions	Gross Receipts
Public Utilities	Gross Receipts
Recreation and Entertainment	Gross Receipts
Rental of Residential Property	Gross Receipts
Rental of Non-Residential Property	Gross Receipts
Retail	Gross Receipts
Services	Gross Receipts
Wholesale	Gross Receipts

- **Equity** – In terms of equity, gross receipts is generally considered to be the most equitable tax basis available to local agencies. This measure of taxation provides the City with a broad tax base. As a result of creating a broad tax base, the City can develop tax bills that are reasonable and that reflect varying business volumes, i.e., smaller businesses will pay an overall tax bill that is relatively less than that paid by larger businesses. Furthermore, business license tax rates are only applied to that amount of revenue which is generated from business activity within the City,

therefore avoiding "double taxation" for those businesses operating both inside and outside the City. Finally, all businesses are treated on the same basis, regardless of whether they are labor intensive or not.

- **Revenue Generation** – From the standpoint of developing a tax that reflects changes in the economy, gross receipts is clearly advantageous. Not only does this measure of taxation offer a broad tax base, thereby permitting revenue to be produced at relatively low tax rates, but it also allows for reasonable growth without adjusting tax rates, inasmuch as it is responsive to overall changes in the economy.
- **Administration** – Administratively, although gross receipts can be more complicated than a flat fee, taxpayer compliance need not be unnecessarily complex. Forms used for reporting gross receipts and determining tax payments due can be developed to minimize compliance efforts. Likewise, apportionment guidelines used for determining those receipts attributable to business activity in the City can be developed to maximize ease of administration and compliance. How detailed and complex reporting forms and apportionment guidelines are is attributable more to the policy of the organization than to the fact that gross receipts is the primary method of taxation.

Because of administrative and enforcement considerations, the business categories of administrative headquarters, solicitors/peddlers, and special events are recommended to be taxed on an alternative basis. Definitions of recommended taxing measures are presented in Appendix D.

## **TAXING RATIOS**

The next consideration in developing a framework for the revised business license tax ordinance is the development of taxing ratios between different business classifications. Recognizing that gross receipts by itself does not adequately indicate the profitability of a particular business, tax rates should be determined on the basis of variations in profit margins among different classes of business. The use of taxing ratios allows the City to tax different classifications of business activity based upon the general profitability of the business activity or the general nature of business activity. For example, if the tax rate for those in Group 1 was \$.10, it would be \$.20 and \$.30 for those in Groups 2 and 3, respectively. Business activity not specifically falling under one of the broad classifications of business noted above would be taxed in Group 1, unless otherwise specified.

Determining what is and is not an appropriate ratio is difficult at best. At the outset, it is necessary to compute the ratio of net profit to gross receipts in order to obtain the profit margin for different types of business activity. These figures are seldom available locally, and they are not collected in California by either State government or statewide associations like the Chamber of Commerce. As a result, it is necessary to use national figures published by the U.S. Internal Revenue Service from business income tax returns.

The figures from the Internal Revenue Service are actual receipts, and are widely used by economists and others for purposes of determining the profit margin of various classes of business. However, the figures do have limitations in that the reports are nationwide in scope and may not completely reflect the nature of business in the City of Lodi. Furthermore, timing of the reports is such that publication is delayed for several years. Because of these limitations, it is important that they be used *only as a guideline* in determining taxing ratios in order to avoid applying them unfairly to any particular class of business.

Profit margin figures are available from the Internal Revenue Service for proprietorships and corporations. For purposes of establishing a ratio between business classifications, profit margin figures for proprietorships are typically used. While fair for those engaged in business as proprietors, this approach also tends to work to the advantage of corporations because they are generally more profitable than proprietorships.

Exhibit III-D presents the minimum and maximum profit margin figures for each broad classification reported for sole proprietorships. Appendix E presents the full range of profit margin figures for sole proprietors by specific type of business activity.

EXHIBIT III-D - MINIMUM AND MAXIMUM PROFIT MARGIN FIGURES BY BUSINESS CLASSIFICATION		
Business Classification	Minimum Ratio of Net Income to Business Receipts	Maximum Ratio of Net Income to Business Receipts
Retail	3.19%	52.07%
Manufacturer	8.63%	43.65%
Wholesale	9.85%	17.28%
Recreation & Entertainment	10.39%	55.38%
Services	11.15%	70.07%
Construction	14.66%	22.30%
Public Utilities	16.72%	51.75%
Professions	24.30%	67.68%
(a) Source: Statistics of Income, Sole Proprietorship, Returns, Department of the Treasury, IRS, (1990)		

In establishing taxing ratios, it is theoretically possible to establish a separate taxing ratio for each business classification. However, available data would make it difficult to defend these ratios, and the City would run the risk of imposing a higher tax rate on some businesses than might otherwise be justified. By looking at the general groupings of profitability, and using the minimum profit margin figures it is possible to establish broad tax rate categories that are sound and reasonable.

Based on the groupings of profit margin data for proprietorships, the relatedness of other business activities to these businesses, and the general practices of local agencies elsewhere in the State, Exhibit III-E presents the ratios recommended for setting tax rates in Lodi.

EXHIBIT III-E - TAXING RATIO		
Business Classification	Range of Minimum Profit Margin Figures (a)	Taxing Ratio
Administrative Headquarters	3.2% - 6.6%	1
Manufacturers		1
Public Utilities		1
Retail		1
Wholesale		1
Contractors	10.4%-14.7%	2
Recreation & Entertainment		2
Rental of Residential Property		2
Rental of Non-Residential Property		2
Services		2
Professions	24.3%	3
(a) Excludes ratios for public utilities and wholesalers; see subsequent discussion.		

In comparing the recommended ratios against the more detailed profit margin figures, wholesaling and public utilities have been recommended to fall in category 1 even though category 2 appears reasonable. To minimize administrative issues, wholesaling has been linked to the same taxing ratio as manufacturing and retailing. With respect to utilities, legal stipulations require that this category not be taxed at a rate higher than retail merchants.

The special business categories of solicitors/peddlers, and special events have not been incorporated within the analysis of ratios in that they are recommended to be taxed on methods other than gross receipts or cost of operations. Coin operated machines would fall into group 1.

### **OTHER CONSIDERATIONS**

A specific business classification has not been identified for home occupations. Under this proposal, it is recommended that home occupations be taxed at the rate consistent with the type of business activity undertaken. For example, if an accounting service were established as a home occupation, the business would be taxed as a professional.

### **SUMMARY**

These rates are applied consistent with the revenue raising authority of the business license tax ordinance. Based on these recommendations, a specific tax rate structure is presented in the next chapter.





## **CHAPTER IV RECOMMENDED FRAMEWORK FOR THE BUSINESS LICENSE TAX ORDINANCE**

A modified tax rate structure has been developed for the City's business license tax ordinance based upon the recommendations previously presented regarding:

- *Business classification structure*
- *Taxing measures*
- *Taxing ratios.*

The recommended tax rate structure and assumptions used to estimate the impact of the revised structure follow. An assessment of the framework for the revised ordinance is presented at the end of this chapter.

The amount of revenue to be generated through the revised ordinance is a policy decision to be made by the City Council. To assess the impacts of the proposed taxing structure, three alternative scenarios have been developed for review and consideration. These proposals include generating:

- *\$1,100,000*
- *\$900,000*
- *\$700,000*

These revenue target amounts were selected to provide a range of revenue options for the City Council's consideration. Recognizing that the City currently generates only .5% of general fund revenue from the business license tax, Option #1 would bring the percentage of general fund revenue up to the Statewide average of 5.8 percent, and Option #2 would bring business license tax as a percentage of general fund revenue up to 5 percent. The last alternative brings the City's business license tax revenue up to 4 percent of general fund revenues.

Before tax rates can be established that will generate these identified revenue amounts, it is necessary to determine the taxable base within the City. Taxable base information includes both the number of businesses operating in the City by business category and the resulting gross receipts generated. In evaluating taxable base, the primary source of information that has been used is Bureau of the Census data. Because the City currently taxes businesses based on average number of employees, gross receipts data was not available; the Census data presents average gross receipts by type of business. For retail activities, trends from the State Board of Equalization were used to estimate gross receipts. City records were utilized in the analysis to estimate the number of businesses in each business category. Taxable base figures are shown in Exhibit IV-A.

EXHIBIT IV-A - ESTIMATED TAXABLE BASE				
Business Category	Number of Businesses (a)	Avg. Gross Receipts per Business (b)	Gross Receipts	Taxable Base (1,000's)
Services	1,625	\$209,374	\$340,232,993	\$340,232
Retail	758	-	\$471,900,000 (c)	\$980,125
Recreation & Entertainment	77	\$180,591	\$13,905,500	\$13,905
Professional	330	\$375,818	\$123,953,779	\$123,954
Contractor	728	\$172,625 (d)	\$125,671,000	\$125,671
Wholesale	216	\$4,334,400	\$936,243,940	\$936,243
Manufacturer	139	\$7,428,000	\$1,032,575,140	\$1,032,575
(a) Source: City records (b) Source: U.S. Department of Commerce, Bureau of the Census, 1987. (c) State Board of Equalization, 1992. Figures discounted 5% to reflect sales tax revenue generated from non-retail establishments. (d) To reflect apportionment issues associated with the construction trades, figure reflects 25% of average gross receipts per contractor in the Sacramento metropolitan statistical area.				

Based on estimates of the number of businesses and total gross receipts generated in the City, coupled with earlier recommendations regarding the business classification system, taxing measures and taxing ratios, three alternative tax rate options have been developed to generate \$1.1 million, \$900,000 and \$700,000 respectively. The tax rates generated from these alternatives are presented in Exhibit IV-B. In addition to the resulting tax rates shown, it is recommended that each business pay an additional charge of \$15 to cover administrative and related costs. The detailed data used to develop these tax rate options are presented in Appendix F.

EXHIBIT IV-B - TAX RATE ALTERNATIVES				
Business Classification	Admin. Fee	Revenue Targets (a)		
		Option #1	Option #2	Option 3#
		\$1.1 million	\$800,000	\$700,000
Manufacturer	\$15	\$ .30	\$ .25	\$ .20
Public Utilities	\$15	\$ .30	\$ .25	\$ .20
Retail	\$15	\$ .30	\$ .25	\$ .20
Wholesale	\$15	\$ .30	\$ .25	\$ .20
Admin. Headquarters (b)	\$15	\$ .30	\$ .25	\$ .20
Contractors	\$15	\$ .60	\$ .50	\$ .40
Recreation & Entertainment	\$15	\$ .60	\$ .50	\$ .40
Rental of Residential Property	\$15	\$ .60	\$ .50	\$ .40
Rental of Non-Residential Property	\$15	\$ .60	\$ .50	\$ .40
Services	\$15	\$ .60	\$ .50	\$ .40
Professions	\$15	\$ .90	\$ .75	\$ .60
(a) Rates apply per \$1,000 of gross receipts.				
(b) Rates apply per \$1,000 of the cost of operations.				

These rates are based on a review of three factors: (1) the current rate structure for all business categories recommended to be merged into these special classifications, (2) consideration of reasonable rate growth, and (3) administrative considerations. Coin-operated machines would be taxed the same as Group 1 businesses.

#### **IMPACTS OF THE RECOMMENDED RATE STRUCTURE ON INDIVIDUAL BUSINESSES**

To assess the impacts that the revised rate structure will have on individual businesses, sample tax bills have been prepared for each of the major business categories. Exhibit IV-C presents the sample tax bills prepared. For each major business category, the following information has been identified:

- Varying business volume shown in gross receipts
- Resulting tax bill under the current ordinance
- Resulting tax bill, including options, under the proposed rate structure.

*Recommended Framework for the Business License Tax Ordinance*

Shown in Exhibit IV-C, there are significant opportunities to increase revenue for the majority of businesses operating in the City of Lodi. The tax bills show that the gross receipts tax structure is not regressive, therefore it does not cause a greater tax burden on smaller businesses versus larger businesses. Instead, the gross receipts tax structure promotes equity, ensuring that similar businesses are treated similarly.

EXHIBIT IV-C — SAMPLE TAX BILLS CITY OF LODI						
Classification	Size of Firm (GR)	Average Number of Employees <sup>(a)</sup>	Tax Bill Current Structure	Tax Bill Option #1	Tax Bill Option #2	Tax Bill Option #3
CONTRACTORS	\$750,000/GR	300	\$207	\$465	\$380	\$315
	\$350,000/GR	100	\$107	\$225	\$180	\$155
	\$175,000/GR	50	\$52	\$120	\$100	\$85
	\$80,000/GR	25	\$27	\$53	\$55	\$47
	\$40,000/GR	10	\$42	\$35	\$35	\$31
MANUFACTURING	\$15,400,000/GR	1000	\$257	\$4,535	\$3,885	\$3,095
	\$10,000,000/GR	500	\$307	\$3,015	\$2,515	\$2,015
	\$7,500,000/GR	100	\$107	\$2,285	\$1,880	\$1,515
	\$3,000,000/GR	50	\$52	\$515	\$755	\$515
	\$1,500,000/GR	25	\$27	\$455	\$415	\$335
PROFESSIONS	\$800,000/GR	100	\$107	\$1,355	\$1,140	\$515
	\$450,000/GR	75	\$55	\$750	\$553	\$525
	\$400,000/GR	50	\$52	\$375	\$315	\$255
	\$300,000/GR	25	\$27	\$255	\$240	\$155
	\$150,000/GR	10	\$42	\$52	\$75	\$55
RETAIL	\$10,500,000/GR	2500	\$1,307	\$3,155	\$2,540	\$2,115
	\$5,100,000/GR	1000	\$557	\$1,545	\$1,280	\$1,035
	\$2,100,000/GR	500	\$307	\$545	\$540	\$435
	\$1,300,000/GR	100	\$107	\$405	\$340	\$275
	\$1,000,000/GR	50	\$52	\$315	\$255	\$215
	\$700,000/GR	25	\$27	\$225	\$180	\$155
	\$500,000/GR	10	\$42	\$155	\$140	\$115
SERVICES	\$1,100,000/GR	1000	\$557	\$575	\$555	\$455
	\$500,000/GR	500	\$307	\$375	\$315	\$255
	\$210,000/GR	100	\$107	\$141	\$120	\$85
	\$100,000/GR	50	\$52	\$75	\$55	\$55
	\$50,000/GR	10	\$42	\$45	\$40	\$35
WHOLESALE	\$25,500,000/GR	2500	\$1,307	\$7,555	\$5,210	\$5,115
	\$5,100,000/GR	1000	\$557	\$2,745	\$2,210	\$1,835
	\$4,100,000/GR	500	\$307	\$1,345	\$1,040	\$835
	\$3,700,000/GR	100	\$107	\$1,125	\$540	\$755
	\$1,500,000/GR	50	\$52	\$455	\$415	\$335
	\$700,000/GR	25	\$27	\$225	\$180	\$155

(a) The figure for average number of employees assumes a fixed place of business.

## **CHAPTER V ADMINISTRATIVE CONSIDERATIONS**

In addition to adopting a system for classifying businesses and establishing a basis for taxing businesses within each classification, it is also necessary to make certain policy decisions with respect to the revised business license tax ordinance. This chapter identifies these policy decisions, as well as other opportunities for improving the overall administration the ordinance.

### **ADMINISTRATIVE AND POLICY QUESTIONS CONCERNING THE REVISED BUSINESS LICENSE TAX ORDINANCE**

This section outlines administrative and policy questions that must be addressed in the new ordinance. Suggested recommendations in each highlighted area are also presented.

**Define Business Classifications** — Because the current ordinance did not identify business classifications, the new business classifications must be clearly defined. Appendix B includes definitions that can be used the revised ordinance.

**Administrative Fees** — To cover administrative and related costs, it is recommended that the City adopt an administrative fee of \$30. This fee would be charged to businesses that pay a business license tax, as well as those business that are exempt from the tax, but required to display a business license. A provision describing administrative fees should be included in the revised business license tax ordinance.

**License Renewal** — Guidelines should be established for renewing a business license. The current ordinance does not describe renewal procedures.

**Information Confidential** — While the ordinance includes a provision for the examination of records, there is no provision in the ordinance to ensure confidentiality. Because the ordinance indicates that the City has the authority to "... examine any papers, records, and memoranda ..." (Section 5.04.340), there should also be a provision that ensures that the Collector or designee will not make known the business affairs, operations or information obtained from the examination, except as it relates to the business license tax paid. It is recommended that the provision be included in the revised ordinance.

**Define Collector** — There is no clear definition in the ordinance of the designated "Collector" of the business license tax. In describing enforcement powers, the Director of Finance is referenced (Section 5.04.360), however no specific section defines the Director of Finance as the Collector. It is recommended that the "Collector" be defined in the ordinance, including a description of roles and responsibilities.

**Enforcement** — In order to maximize both equity and revenue generation capabilities from the business license tax, appropriate measures should be taken by the City to ensure that all businesses operating in the City are licensed, and that those business licensed are in compliance with all provisions of the ordinance. Supporting this area of enforcement, provisions should be developed that will support the identification of new businesses operating in the City by existing businesses. Examples include:

- *Contractors reporting any subcontractors working with them on assigned projects*
- *Supporting the above, contractors being identified for business license tax purposes at the time building permits are taken out*
- *Retailers, services and others, identifying outside service providers that they receive products and services from on a reoccurring basis*
- *Motels and other lodging establishments identify special events and related activities scheduled for their facilities.*

Other enforcement provisions include the establishment of internal cross controls to check the validity of reported gross receipts.

**Constitutional Apportionment** — The current business license tax ordinance does not include apportionment guidelines. Pursuant to law, the City may only impose its business license tax on business that is attributable to the City. In many cases, businesses with a fixed location in the City will find that all of their gross receipts are attributable to the City, and therefore will pay a tax based on their total gross receipts. However, in the case of businesses operating both inside and outside the City, apportionment can become a consideration in calculating the amount of tax due.

To ensure that individual businesses apportion gross receipts in the same manner as other businesses, it is recommended that the apportionment guidelines be established and that the Finance Director, or designee, assume responsibility for the administration of the guidelines.

**Consumer Price Index** — One objective of the new business license taxing structure is to ensure that revenues generated from the tax reflect changing economic conditions. The use of gross receipts fulfills this objective in that this taxing measure reflects changes associated with both volume and value of goods sold. Flat fees and administrative fees, however, do not have any inherent mechanism in place to reflect changing economic conditions. Therefore, it is recommended that the administrative fee and flat fees all be tied to the Consumer Price Index and be adjusted annually to reflect changing economic conditions.

## **SUMMARY**

This chapter has highlighted key administrative and policy decisions that need to be resolved prior to drafting the revised business license tax ordinance. These issues are in addition to the basic policy decision of how much revenue the new taxing structure should be designed to raise.





## **CHAPTER VI ASSESSMENT OF THE PROPOSED ORDINANCE**

This chapter provides a summary analysis of the proposed business license tax structure from the perspective of equity, revenue elasticity/generation, and administration ease. Specific findings are summarized below and on the following page by study objective.

### **EQUITY**

The proposed business license taxing structure improves the overall equity of the City's business license tax based on the following:

- *With the development of a business classification system, similar types of business activity are treated similarly.*
- *Business classifications and taxing ratios have been established to support differential tax rates which recognize the general profitability of different types of business activity and the practices found in selected survey agencies.*
- *With the development of a concise system of classifying businesses, all business activity within the City, unless specifically exempted, is clearly subject to the tax.*
- *By taxing the majority of businesses on the same basis of taxation, the overall tax burden is distributed consistently and justifiably among all business classes.*
- *By utilizing gross receipts as the primary basis of taxation, equity is improved in that business volume and size are reflected in the calculation of total tax payments due.*

- *Brackets and caps on the total tax payment have not been recommended to ensure that taxpayers within the same classification pay the same tax rate per \$1,000 of gross receipts. This ensures that the revised ordinance is not regressive.*

Incorporating these components in the revised business license tax ordinance will ensure that similar businesses are treated similarly.

### **REVENUE ELASTICITY/GENERATION**

The revised ordinance ensures the ability of the tax to reflect changes in the economy and to generate revenue consistently in the following ways:

- *The proposed ordinance relies on the use of gross receipts without brackets, for all major business classes as a measure of taxation. As compared to other measures of taxation such as average number of employees or a bracketed gross receipts structure, straight gross receipts is more responsive to overall changes in the economy. By using gross receipts, revenue yield is not solely dependent on the addition of new businesses to the City or increases in tax rates.*
- *The resulting tax rates and related practices are competitive with the business license practices found in the City's selected comparison agencies.*
- *Because of the broad tax base which results from the use of gross receipts as a tax measure, revenue can be generated through the application of reasonable tax rates.*

The optional tax rates provide the City with opportunities for increasing revenue without negatively impacting the business community.

## **ADMINISTRATIVE EASE**

The framework for the revised business license tax ordinance maximizes administrative ease and compliance, while balancing concerns of equity, as follows:

- *The proposed ordinance includes a concise and logical system of classifying business activity, creating 11 business categories.*
- *With the development of a business classification system and limiting the number of different taxing measures utilized, audit and enforcement activities of the ordinance are simplified.*
- *By eliminating the bracketed average number of employees tax rate structure, it is easier to compute and predict the tax payment due, and the tax structure is no longer regressive.*
- *For those types of business activities where it is generally difficult to calculate gross receipts specifically attributable to the City, alternative tax measures have been recommended.*
- *By maintaining an administrative license fee, equity of the tax is ensured to the extent that all businesses operating in the City are required to pay an appropriate share of the City's administrative costs related to the business license tax.*
- *It is further recommended that City staff develop and document apportionment guidelines. Cities in California are only able to apply the business license tax to that business activity that is directly attributable to the City. For those businesses that operate both inside and outside the City, guidelines assist the business owner in calculating those gross receipts that are directly attributable to the City of Lodi.*

The administrative parameters provide City staff with tools to enforce the ordinance more effectively and efficiently.

### **SUMMARY**

The areas of concerns addressed in the Overview Assessment in Chapter II have been thoroughly addressed in this report. By incorporating the proposed taxing structure, and additional recommendations in the revised business license tax ordinance, the City will achieve the objectives of equity, revenue generation and administrative ease. These improvements will be realized regardless of how much revenue is ultimately generated from the business license tax.

**APPENDIX A — RATE STRUCTURE IN CURRENT ORDINANCE**

Appendix

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10 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

for services to be performed, at any place in the city other than a fixed place of business, and who does not follow a fixed route or serve prospective purchasers in the city regularly or continuously, or any person seeking to:

1. Obtain prospective customers for application or purchase of insurance of any type, kind or publication; or

2. Obtain subscriptions to books, magazines, periodicals, newspapers and every other type or kind of publication where the aforementioned is not to be delivered on a fixed route; or

3. Obtain gifts or contributions of money, clothing or any other valuable thing for the support or benefit of any charitable or nonprofit association, organization, corporation or project.

"Solicitor" shall not include salesmen or agents for wholesale houses or firms who sell to retail dealers for resale or sell to manufacturers for manufacturing purposes or to bidders for public works or supplies, or newspaper carriers. (Ord. 1352 § 12, 1985; (Prior code § 12-1))

#### 5.04.030 Required.

There is imposed upon all business in the city license taxes in the amount prescribed by this chapter. It is unlawful for any person, either for himself or for any other person, to commence, transact or carry on any business in the city not excluded by this chapter, without first having procured a license from the city to do so, or without complying with any and all regulations contained in this chapter. The carrying on of any business without first having procured a license from the city to do so, or without compliance with any and all regulations of

this chapter, shall constitute a separate violation of this chapter for each and every day that such business is carried on. (Prior code § 12-3)

#### 5.04.040 Tax—Fixed place of business.

Every person commencing, transacting and carrying on at a fixed place of business in the city any businesses other than those enumerated in Sections 5.04.060 and 5.04.070 shall pay an annual license tax based upon the average number of employees employed in such business of fifteen dollars for the first employee, three dollars each for the next nine employees, one dollar each for the next forty employees and fifty cents each for each additional employee. (Prior code § 12-4)

#### 5.04.050 Tax—No fixed place of business.

Every person commencing, transacting and carrying on at other than a fixed place of business in the city any businesses other than those enumerated in Sections 5.04.060 and 5.04.070 shall pay an annual license tax based upon the average number of employees of thirty dollars for the first employee, six dollars each for the next nine employees, two dollars each for the next forty employees and one dollar each for each additional employee. (Prior code § 12-5)

#### 5.04.060 Tax—Flat amount.

Every person commencing, transacting and carrying on in the city any business enumerated in this section shall pay a license tax as follows:



Business	Period	Tax
Amusement rides and similar concessions, children's, per each .....	month	\$ 5.00
Amusement rides and similar concessions, adult, per each .....	month	10.00
Astrologers, fortunetellers, etc. ....	quarter	250.00
Auctioneer .....	quarter	25.00
Bowling .....	year	24.00
Bowling and pool or billiards .....	year	30.00
Boxing and wrestling ....	day	20.00
Carnivals .....	day	100.00
Circuses and side shows ..	day	100.00
Crane, claw or grab machines, per machine .....	quarter	25.00
Dances .....	day	5.00
Dice or card games, per table .....	quarter	25.00
Junk dealer (resident) ...	quarter	15.00
Junk dealer (nonresident) ..	quarter	30.00
Pawnbroker .....	quarter	15.00
Peddlers and solicitors ..	day	10.00
Peddlers and solicitors, personally manufactured goods or produce ....	quarter	6.00
Pool, billiards .....	year	24.00
Swimming pools .....	year	24.00
Theaters, occasional .....	day	5.00

(Prior code § 12-6)

**5.04.070 Tax—Grape Festival.**

For the purpose of this chapter, the Lodi Grape Festival and National Wine Show, referred to in this section as "festival," shall be considered to be a fixed place of business within the city and shall pay to the director of finance the sum of twenty-five dollars per day during the actual operation of the festival. This sum shall not constitute a tax against the festival, but shall be paid on behalf of all concessionaires, exclusive of carnivals and allied side shows, officially listed with the director of finance by the festival prior to the first day of actual operation, who transact their business wholly upon grounds operated by the festival. Each of the officially listed concessionaires shall, upon payment by the festival of the sum of twenty-five dollars per day, be entitled to such license as may in this chapter be required. Each such license shall be in effect during the period of actual operation of the festival for business conducted on festival grounds and shall be displayed and be subject to all other provisions of this chapter. (Prior code § 12-7)

**5.04.080 Tax—Home occupations.**

Every person commencing, transacting and carrying on in the city any business in his home in a residential zone, not as a nonconforming use, whose annual gross receipts from such business is one thousand dollars or less shall be exempt from the payment of a license tax, but shall be required to obtain and display a license issued by the director of finance without charge. Where the annual gross receipts from such business exceeds one thousand dollars, a license tax as prescribed in Section 5.04.080 shall be imposed. Persons who, by reason of age or infirmity, are physically unable to earn a livelihood through ordinary means of labor or business shall be exempt from any tax on business conducted from their own homes, as a home occupation, but shall be required to obtain a license to be issued without charge. (Prior code § 12-8)

~~**5.04.090 Exemptions—Generally.**~~

~~Persons in the categories set out in Sections 5.04.100 through 5.04.140 shall be exempt from the payment of a license tax, but shall be required to obtain and display a license, which license shall be~~

**APPENDIX B — COMPARISON SURVEY**

CITY OF LOS  
BUSINESS LICENSE TAX PRACTICES  
COMPARISON SURVEY

	Cal	Los	Cal	Mexico	Mich	Tex	Mass	Ill	Ind	Wis	Pa	NY
Primary State of Taxation	Avg Number of Employees	Gross Receipts	Avg Number of Employees	Gross Receipts	Value - Gross Receipts	Value	Value - Gross Receipts; Avg Number of Emps	Gross Receipts	Avg Number of Employees	Phil F oo	Gross Receipts	Gross Receipts
Brachels	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	No
Cape	NO	YES	NO	YES	Yes	YES	YES	MO	MO	YES	MO	MO

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Locality	Constructors	Time Measure	Notes
Local	AME		Inside City 11 ft - 1st amp. 12 amp - next 5 amp. 13 amp - next 40 amp. 14 amp. - over 50 amp. Outside City 15 amp - 1st amp. 16 amp - next 5 amp. 17 amp. - over 50 amp.
County	Gross Receipts		14-20- @-25,000M 1504-13- 11 amp. - 1,000,000M Over 1,000,000 Added total tax due for each million dollars or
City	Value of Job		6.40 per \$1,000 for value of the job
Metropolitan	Gross Receipts		Inside City 11- 12- 13- 14- 15- 16- 17- 18- 19- 20- 21- 22- 23- 24- 25- 26- 27- 28- 29- 30- 31- 32- 33- 34- 35- 36- 37- 38- 39- 40- 41- 42- 43- 44- 45- 46- 47- 48- 49- 50- 51- 52- 53- 54- 55- 56- 57- 58- 59- 60- 61- 62- 63- 64- 65- 66- 67- 68- 69- 70- 71- 72- 73- 74- 75- 76- 77- 78- 79- 80- 81- 82- 83- 84- 85- 86- 87- 88- 89- 90- 91- 92- 93- 94- 95- 96- 97- 98- 99- 100- 101- 102- 103- 104- 105- 106- 107- 108- 109- 110- 111- 112- 113- 114- 115- 116- 117- 118- 119- 120- 121- 122- 123- 124- 125- 126- 127- 128- 129- 130- 131- 132- 133- 134- 135- 136- 137- 138- 139- 140- 141- 142- 143- 144- 145- 146- 147- 148- 149- 150- 151- 152- 153- 154- 155- 156- 157- 158- 159- 160- 161- 162- 163- 164- 165- 166- 167- 168- 169- 170- 171- 172- 173- 174- 175- 176- 177- 178- 179- 180- 181- 182- 183- 184- 185- 186- 187- 188- 189- 190- 191- 192- 193- 194- 195- 196- 197- 198- 199- 200- 201- 202- 203- 204- 205- 206- 207- 208- 209- 210- 211- 212- 213- 214- 215- 216- 217- 218- 219- 220- 221- 222- 223- 224- 225- 226- 227- 228- 229- 230- 231- 232- 233- 234- 235- 236- 237- 238- 239- 240- 241- 242- 243- 244- 245- 246- 247- 248- 249- 250- 251- 252- 253- 254- 255- 256- 257- 258- 259- 260- 261- 262- 263- 264- 265- 266- 267- 268- 269- 270- 271- 272- 273- 274- 275- 276- 277- 278- 279- 280- 281- 282- 283- 284- 285- 286- 287- 288- 289- 290- 291- 292- 293- 294- 295- 296- 297- 298- 299- 300- 301- 302- 303- 304- 305- 306- 307- 308- 309- 310- 311- 312- 313- 314- 315- 316- 317- 318- 319- 320- 321- 322- 323- 324- 325- 326- 327- 328- 329- 330- 331- 332- 333- 334- 335- 336- 337- 338- 339- 340- 341- 342- 343- 344- 345- 346- 347- 348- 349- 350- 351- 352- 353- 354- 355- 356- 357- 358- 359- 360- 361- 362- 363- 364- 365- 366- 367- 368- 369- 370- 371- 372- 373- 374- 375- 376- 377- 378- 379- 380- 381- 382- 383- 384- 385- 386- 387- 388- 389- 390- 391- 392- 393- 394- 395- 396- 397- 398- 399- 400- 401- 402- 403- 404- 405- 406- 407- 408- 409- 410- 411- 412- 413- 414- 415- 416- 417- 418- 419- 420- 421- 422- 423- 424- 425- 426- 427- 428- 429- 430- 431- 432- 433- 434- 435- 436- 437- 438- 439- 440- 441- 442- 443- 444- 445- 446- 447- 448- 449- 450- 451- 452- 453- 454- 455- 456- 457- 458- 459- 460- 461- 462- 463- 464- 465- 466- 467- 468- 469- 470- 471- 472- 473- 474- 475- 476- 477- 478- 479- 480- 481- 482- 483- 484- 485- 486- 487- 488- 489- 490- 491- 492- 493- 494- 495- 496- 497- 498- 499- 500- 501- 502- 503- 504- 505- 506- 507- 508- 509- 510- 511- 512- 513- 514- 515- 516- 517- 518- 519- 520- 521- 522- 523- 524- 525- 526- 527- 528- 529- 530- 531- 532- 533- 534- 535- 536- 537- 538- 539- 540- 541- 542- 543- 544- 545- 546- 547- 548- 549- 550- 551- 552- 553- 554- 555- 556- 557- 558- 559- 

CITY OF LODI  
BUSINESS LICENSE TAX PRACTICES  
COMPARISON SURVEY

	Lodi	Davis	Oak	Merced	Modesto	Pasadena	Sierraville	Stockton	Tracy	Woodland	Yuba City
Manufacturers	ANE	Gross Receipts	ANE	Gross Receipts	Flat Fee	ANE	Gross Receipts	Value of product	ANE	Flat Fee	Gross Receipts
Tax Measure											
Rate	<p>Inside City</p> <p>\$15-1st emp.</p> <p>\$2ea.-next 9 emp.</p> <p>\$1ea.-next 40 emp.</p> <p>\$3ea.-over 50 emp.</p> <p>Outside City</p> <p>\$30-1st emp.</p> <p>\$2ea.-next 9 emp.</p> <p>\$2ea.-next 40 emp.</p> <p>\$1ea.-over 50 emp.</p>	<p>\$1.50-0-\$99,999 GR</p> <p>\$201.50-\$1mil.-1,009,999 GR</p> <p>Over 1,009,999 = add total tax due for each million dollars or increment thereof</p>	<p>\$40-1st emp.</p> <p>\$10ea. for emp. over 1 annually</p>	<p>\$85.00-0-\$99,999 GR</p> <p>\$85-100,000-\$99,999 GR</p> <p>\$225-\$1MILL and over</p>	<p>\$100</p>	<p>\$80-1-8empl.</p> <p>\$80-2-8empl.</p> <p>\$80-9-10empl.</p> <p>\$10+95/empl. over 10 for 11-42empl.</p> <p>\$85- over 43empl.</p>	<p>\$90/yr-\$10,000 GR or less</p> <p>\$90+\$5.004 for ea. dollar of GR over \$10,000</p> <p>MAX - \$5,000</p>	<p>Value of manuf. or processed product less the cost of purchased raw materials or less the value of the partially completed product</p>	<p>\$100 1st empl + \$20 ea. add'l empl.</p>	<p>\$185-Industrial or commercial zone</p>	<p>\$35 per \$1,000 GR</p>

[illegible]

[illegible]

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[illegible]

[illegible]

[illegible]

**APPENDIX C — BUSINESS CLASSIFICATION DEFINITIONS**

## DEFINITIONS OF RECOMMENDED BUSINESS CLASSIFICATIONS

Legal definitions and related terminology, will be drafted by City Attorney. However, general definitions of each of the broad classifications referenced previously are provided below.

- **Administrative Headquarters** — Any business operation where the principal business transacted consists of providing administrative or management-related services such as, but not limited to, record keeping, data processing, research, advertising, public relations, personnel administration, legal and corporate headquarters services, to other locations where the operations of the same business are conducted which lead more directly to the production of gross receipts.
- **Contractors** — Any person who is licensed as a contractor by the State of California and who undertakes to or offers to undertake to or purports to have the capacity to undertake to or submits a bid to, or does himself or by or through others, construct, alter, repair, add to, subtract from, improve, move, wreck or demolish any building, highway, road, railroad, excavation or other structure, project, development or improvement, or to do any part thereof, including the erection of scaffolding or other structures or works in connection therewith, is defined as a contractor. The term contractor includes subcontractor and specialty contractor.
- **Manufacturers** — Any person conducting, managing or carrying on a business consisting mainly of manufacturing, packing, or processing any goods, wares, merchandise or produce.
- **Professions** — Any person, group, association, partnership, firm or corporation engaged in a profession or vocation licensed by the State, related to a licensed profession or vocation, and/or requiring a period of specialized training such as, but not limited to, physicians, dentists, attorneys, and accountants.
- **Public Utilities** — Any person engaged in the business of providing utility services to the general public or to private businesses including such services as electrical, gas, sanitary and garbage, cable television and telephone.
- **Recreation and Entertainment** — Any person engaged in the business of providing directly recreation, entertainment, or amusement services.

- **Rental of Residential Property** — Any person engaged in the business of renting or letting a building or structure to a tenant for purposes of dwelling, sleeping or lodging (i.e., apartment, duplex, condominium or other residential property rental excluding hotels/motels or single family dwelling).
- **Rental of Non-Residential Property** — Any person engaged in the business of renting or letting a building or structure to a tenant for purposes of conducting business (i.e., commercial retail space, office buildings, warehouses or other non-residential property use). (Note: As is the case in other California jurisdictions, those included under this classification are typically owners of the building, or those who are in the business of leasing space for the express purpose of sub-letting. Space occupied by the owner is typically exempt.
- **Retail** — Any person conducting, managing or carrying on the business consisting mainly of selling at retail any goods.
- **Services** — Any business providing services, repairs or improvements to or on real and personal property; renting or leasing personal property to businesses or persons; involving the operation of a hotel or motel; providing services to persons such as, but not limited to, laundries, cleaning and dyeing, shoe repair, barber and beauty shops, photographic studios, and transportation.
- **Wholesale** — Any person conducting, managing or carrying on the business consisting mainly of selling at wholesale any goods.
- **Miscellaneous** — Any person engaged in a business not specifically taxed by other provisions of this ordinance and not otherwise exempt.

**APPENDIX D — DEFINITION OF TAXING MEASURES**





## DEFINITION — GROSS RECEIPTS

Gross receipts is the total amount actually received or receivable from sales and/or the performance of any act or service for which a charge is made or credit allowed.

Included in gross receipts are all:

- Receipts (cash received)
- Credits (sales on time)
- Property (taken in lieu of cash payment).

Excluded from gross receipts are:

- Cash and jobber discounts (which reduce selling price and ultimate receipts from sale).
- Any tax (such as a sales tax, use tax, gas tax, transient occupancy tax, real property transfer tax) which is measured by the sales price and is included in the purchase price and collected from the consumer or purchaser.
- Any refund that is granted, either in cash or credit, to a purchaser who returns property upon the rescission of a contract of sale.
- Amounts received by persons acting as agents, brokers or trustees, where such amounts have been collected for and are paid to another party (e.g., amounts collected by salesmen and transmitted to manufacturer or distributor; trust funds received and transmitted by trustee; fees separately itemized on statements and forwarded to a subcontractor or fee consultant as payment for services rendered, provided that a list of subcontractors or consultants and amounts paid is reported to the city; receipts collected for and subsequently paid to a lessor, provided that the name of the lessor and the amount paid is reported to the city).
- Amounts received as refundable deposits, except those amounts that are forfeited and subsequently taken as business income.
- Any credit that is granted for property provided by the consumer or purchaser as part of the purchase price (trade-in merchandise), provided that the value of property taken is reported in gross receipts when sold to someone else.
- Bad debts, when credits are reported in total in the first year and prove uncollectible in a subsequent year.

- *Passive income (e.g., interest on investments, dividends, occasional sale of property or surplus equipment, etc.).*
- *Receipts not taxable by virtue of provisions included in the Federal or State Constitution.*

**DEFINITION — COST OF OPERATIONS**

Cost of operations is the total amount expended for operating within the City including, but not limited to, salaries and benefits, operating leases/rentals for equipment and facilities, utilities, services and supplies, maintenance, and general overhead expenditures. This shall not include non-cash expenditures for depreciation and amortization.



**APPENDIX E — PROFIT MARGIN DETAIL BY SIC**

**APPENDIX E**  
**SOLE PROPRIETORSHIP - BUSINESSES WITH NET INCOME, 1990**  
**(DOLLAR AMOUNTS ARE IN 1,000 OF DOLLARS)**

BUSINESS TYPE	NUMBER	BUSINESS RECEIPTS	NET INCOME	RATIO OF NET INCOME TO BUSINESS RECEIPTS
<b>CONSTRUCTION</b>	<b>1,530,577</b>	<b>90,393,162</b>	<b>17,823,335</b>	<b>19.72%</b>
General Building	271,133	27,637,811	4,057,078	14.68%
Heavy Construction	20,065	3,012,535	441,524	14.66%
Special Trades	1,239,379	59,742,816	13,324,733	22.30%
<b>MANUFACTURING</b>	<b>263,164</b>	<b>18,583,711</b>	<b>3,148,747</b>	<b>16.93%</b>
Food & Kindred Products	5,972	268,504	78,893	29.38%
Textile Mill Products	637	111,661	48,832	43.65%
Apparel & Other Textiles	26,510	1,649,220	191,616	11.62%
Lumber & Wood Products	56,077	4,095,844	704,744	17.21%
Furniture & Fixtures	17,231	777,107	118,091	15.20%
Printing & Related	40,685	3,173,460	604,496	19.05%
Leather	4,697	290,176	26,270	9.05%
Stone, Clay & Glass	11,364	661,318	43,862	6.63%
Primary Metal Industries	1,266	174,479	41,925	24.03%
Fabricated Metal Products	12,646	2,668,749	291,735	10.93%
Machinery	42,025	2,718,291	622,618	22.90%
Electrical	8,511	324,810	37,575	11.57%
Paper & Allied Products	**	**	**	**
Other Manufacturing	35,343	1,669,892	336,090	20.13%
<b>PUBLIC UTILITY SERVICES</b>	<b>467,308</b>	<b>24,768,836</b>	<b>5,085,800</b>	<b>20.53%</b>
Local Transit	61,790	1,457,541	406,965	34.23%
Trucking & Warehousing	307,526	19,290,278	3,627,178	18.80%
Water Transportation	5,602	297,301	153,850	51.75%
Air Transportation	8,876	174,506	79,936	45.81%
Transportation Services	46,634	2,235,396	373,702	16.72%
Communication Services	26,001	1,129,128	267,730	23.71%
Utilities	10,849	164,686	64,439	45.72%
<b>WHOLESALE</b>	<b>1,572,379</b>	<b>200,585,041</b>	<b>19,756,979</b>	<b>9.83%</b>
Wholesale Trade	284,809	42,586,734	5,854,371	13.75%
Durable Goods	167,110	20,545,218	3,550,638	17.28%
Non-Durable Goods	117,699	22,021,516	2,303,533	10.46%
<b>RETAIL</b>	<b>1,267,570</b>	<b>158,019,307</b>	<b>13,902,606</b>	<b>8.80%</b>
Building Materials	34,833	4,910,369	453,578	9.24%
Lumber & Other	3,167	944,990	73,639	7.79%
Paint/Glass/Wallpaper	8,871	655,973	68,156	10.39%
Hardware Stores	4,763	1,366,364	118,118	8.64%
Nurseries & Garden Supply	12,731	1,095,978	121,519	11.09%
Mobile Home Dealers	5,301	647,064	72,146	6.52%
General Merchandise Stores	34,129	3,991,362	439,659	11.02%
Variety Stores	12,689	1,713,942	159,822	9.32%
Computer & Software Stores	8,863	446,922	99,270	22.21%
Other General Merchandise	12,577	1,830,498	180,567	9.86%
Food Stores	113,811	30,154,147	1,580,858	5.24%
Grocery Stores	80,133	24,639,993	1,230,021	4.99%
Retail Bakeries	16,076	1,035,914	52,454	5.06%
Misc. Food Stores	17,600	4,478,240	298,383	6.66%
Auto Dealers & Service	111,130	36,389,262	1,663,355	4.57%
Motor Vehicle Dealers-New	8,117	1,316,409	41,968	3.19%

APPENDIX E  
SOLE PROPRIETORSHIP -- BUSINESSES WITH NET INCOME, 1990  
(DOLLAR AMOUNTS ARE IN 1,000 OF DOLLARS)

BUSINESS TYPE	NUMBER	BUSINESS RECEIPTS	NET INCOME	RATIO OF NET INCOME TO BUSINESS RECEIPTS
Motor Vehicle Dealers--Used	43,294	7,449,834	414,604	5.57%
Auto Parts & Accessories	18,917	4,196,142	325,487	7.76%
Gas Service Stations	23,156	20,178,573	649,525	3.22%
Boat Dealers	1,416	622,943	27,817	4.47%
Misc. Auto Dealers	16,230	2,625,061	203,954	7.77%
Apparel & Accessory Stores	53,034	4,526,924	570,424	12.60%
Men's/Boy's Clothing Stores	4,761	769,513	62,937	8.18%
Women's Ready-To-Wear	8,918	1,142,113	94,080	8.24%
Women's Accessory Stores	10,305	186,780	97,248	52.07%
Family Clothing Stores	14,466	962,112	200,337	20.82%
Shoe Stores	6,049	862,356	45,269	5.25%
Misc. Apparel Stores	8,535	604,050	70,553	11.68%
Furniture/Home Furnishings	76,607	9,542,685	1,210,969	12.69%
Furniture Stores	21,658	3,967,224	418,961	10.56%
Home Equipment	29,577	2,299,124	416,994	18.14%
Household Appliance Stores	10,476	1,785,399	158,047	8.85%
TV/Audio/Electronic Stores	12,102	1,234,295	163,785	13.27%
Music/Record Stores	2,794	256,843	53,202	20.71%
Eating & Drinking Places	113,176	17,167,009	1,567,384	9.13%
Eating Places	72,353	12,223,345	1,061,134	8.64%
Drinking Places	27,841	4,708,380	401,564	8.53%
Catering Places	12,982	235,284	64,686	27.50%
Misc. Retail Stores	750,850	51,336,329	6,416,361	12.50%
Drug Stores	7,166	4,937,000	571,299	11.57%
Liquor Stores	17,909	6,452,960	270,813	4.20%
Used Merchandise/Antiques	29,274	971,620	115,583	11.90%
Sporting Goods/Bicycles	12,046	979,046	120,315	12.29%
Book Stores	5,079	637,571	45,503	7.14%
Stationery Stores	5,994	1,145,073	151,958	13.27%
Jewelry Stores	30,296	3,170,156	495,413	15.63%
Hobby/Toy/Game Shops	21,397	1,327,423	156,564	11.79%
Camera & Photo Supply	1,395	19,374	5,449	28.13%
Luggage & Leather Goods	**	**	**	**
Fabric/Needlework Stores	8,134	176,307	16,966	9.62%
Catalog or Mail Order	20,301	1,334,605	141,402	10.59%
Vending Machine Sales	12,607	444,253	63,830	14.37%
Door-to-Door/Telephone	389,278	10,368,180	2,147,386	20.71%
Gift/Novelty/Souvenir Shops	42,675	2,214,856	273,233	12.34%
Fuel Oil Dealers	1,640	973,117	57,821	5.94%
Florists	19,953	2,155,333	168,696	7.84%
Misc. Retail Shops	125,504	14,029,235	1,613,930	11.50%
SERVICES				
FINANCE/INSURANCE/REAL ESTATE	954,483	42,666,973	19,210,128	44.81%
Finance	44,321	3,503,510	1,390,124	39.68%
Credit Agencies/Mortgage Bnks	9,952	311,488	173,239	55.62%
Security/Commodity Brokers	34,369	3,192,022	1,216,665	38.12%
Security Brokers/Dealers	11,647	821,264	201,141	24.49%
Investment Advisors/Services	10,012	732,720	366,509	50.02%

**APPENDIX E**  
**SOLE PROPRIETORSHIP -- BUSINESSES WITH NET INCOME, 1990**  
**(DOLLAR AMOUNTS ARE IN 1,000 OF DOLLARS)**

BUSINESS TYPE	NUMBER	BUSINESS RECEIPTS	NET INCOME	RATIO OF NET INCOME TO BUSINESS RECEIPTS
Commodity Bkrs/Exchanges	12,710	1,838,038	649,235	39.63%
Insurance Agents/Brokers	301,150	15,929,418	7,269,208	45.63%
Real Estate	609,012	23,434,045	10,550,796	45.02%
Real Estate Property Mgrs	33,483	1,439,127	482,807	33.55%
Operator/Lessors of Buildings	4,748	482,068	169,671	34.48%
Misc. Operator/Lessors	8,683	691,341	77,089	11.15%
Real Estate Agents/Brokers	474,993	15,817,196	7,763,410	49.06%
Title Abstract Companies	**	**	**	**
Subdividers & Developers	7,061	1,231,703	366,254	29.74%
Misc. Insurance Services	12,295	342,824	172,850	50.42%
Misc. Finance & Real Estate	67,751	3,419,768	1,518,715	44.41%
<b>SERVICES</b>	<b>2,824,873</b>	<b>97,472,837</b>	<b>27,263,910</b>	<b>27.97%</b>
Hotels/Other Lodging	21,920	1,960,782	247,060	12.60%
Hotels/Motels/Tourist Courts	10,703	1,486,410	170,995	11.50%
Rooming/Boarding Houses	11,217	474,372	76,065	16.03%
Camps/Camping Parks	**	**	**	**
Personal Services	665,446	21,577,456	6,835,321	31.68%
Coin-operated Laundry/Cleaning	13,572	1,115,295	150,341	13.48%
Other Laundry/Cleaning	58,509	3,688,329	1,053,731	28.57%
Portrait Studios	39,105	1,338,299	333,543	24.92%
Beauty Shops	248,309	5,882,861	1,784,651	30.00%
Barber Shops	53,664	1,152,196	599,929	52.07%
Funeral Services	9,588	874,414	120,913	13.83%
Misc. Personal Services	442,699	7,526,062	2,812,213	37.37%
Business Services	1,501,591	48,474,993	15,940,931	32.88%
Advertising (except direct mail)	58,057	3,908,517	694,575	22.89%
Consumer Credit Reporting	5,268	104,625	43,945	42.00%
Janitorial Services	322,003	4,184,941	1,752,890	41.89%
Computer/Data Processing Service	110,677	2,968,209	1,679,507	56.62%
Mailing/Repro/Art/Photo/Steno	79,520	2,499,151	968,282	39.54%
Computer Repair/Maint./Leasing	7,828	225,870	158,113	70.00%
Equipment Repair/Maintenance	14,783	1,484,730	303,750	20.74%
Other Business Services	903,277	33,120,950	10,119,869	30.55%
Automotive Repair & Services	254,032	17,734,736	2,560,234	14.44%
Auto Rental/Leasing	3,852	29,235	12,833	43.90%
Auto Parking	**	**	**	**
Auto Repair Shops	195,570	14,206,386	2,071,151	14.58%
Auto Services (except repair)	54,610	3,497,115	478,250	13.62%
Miscellaneous Repair Services	181,884	7,724,670	1,680,364	21.75%
TV & Audio Equipment	19,712	411,122	147,683	35.92%
Other Electronic Repair	41,521	2,577,106	462,322	17.94%
Reupholstery/Furniture Repair	33,769	1,016,263	219,669	21.62%
Other Misc. Repair	86,822	3,720,379	850,690	22.87%
<b>RECREATION &amp; ENTERTAINMENT</b>	<b>406,280</b>	<b>11,271,266</b>	<b>3,970,969</b>	<b>35.23%</b>
Motion Pictures	54,331	1,994,685	515,297	25.83%
Motion Picture/Video Production	24,830	397,150	219,960	55.38%
Motion Picture/Tape Distribution	11,994	499,138	180,087	36.06%



APPENDIX E  
SOLE PROPRIETORSHIP - BUSINESSES WITH NET INCOME, 1990  
(DOLLAR AMOUNTS ARE IN 1,000 OF DOLLARS)

BUSINESS TYPE	NUMBER	BUSINESS RECEIPTS	NET INCOME	RATIO OF NET INCOME TO BUSINESS RECEIPTS
Motion Picture Theaters	10	4,090	1,537	37.58%
Video Tape Rentals	17,500	1,094,307	113,713	10.39%
Amusement & Recreation Services	351,946	9,276,601	3,455,672	37.25%
Entertainers/Producers/Agents	165,660	4,819,601	2,246,066	46.60%
Bowling Centers	1,262	321,740	111,609	34.75%
Professional Sports/Racing	41,516	2,095,005	601,146	29.54%
Physical Fitness Facilities	14,095	596,945	121,966	20.39%
Other Amusement & Recreation	99,213	1,503,310	376,259	24.98%
PROFESSIONS	2,679,693	119,595,181	59,699,975	49.92%
Medical & Health Services	655,600	61,199,133	29,136,100	47.61%
Offices of Physicians	167,576	26,415,561	15,013,130	56.63%
Offices of Dentists	92,616	15,426,591	5,606,665	37.65%
Offices of Osteopathic Physicians	4,156	814,486	496,027	60.90%
Offices of Chiropractors	26,573	4,042,340	1,734,067	42.90%
Offices of Optometrists	14,268	2,120,176	515,235	24.30%
Offices of Podiatrists	6,451	661,651	390,796	44.32%
Registered/Practical Nurses	69,224	655,966	444,002	67.68%
Nursing/Personal Care Facilities	36,692	2,067,110	363,449	18.37%
Medical/Dental Laboratories	24,816	1,584,491	530,354	33.47%
Misc. Medical & Health Services	214,424	7,170,531	3,622,339	53.31%
Legal Services	216,352	19,487,322	9,562,263	49.04%
Educational Services	145,663	1,279,356	579,993	45.55%
Child Day Care	413,022	3,397,605	1,346,232	39.62%
Ministers & Chaplains	220,559	3,170,690	2,125,211	67.02%
Engineering Services	83,431	4,396,253	1,637,051	41.77%
Architectural Services	63,817	2,079,473	666,581	42.73%
Surveying Services	12,290	285,175	133,174	46.70%
Accounting/Auditing/Bookkeeping	242,613	9,467,290	2,665,365	44.61%
Management Services	61,474	1,783,695	1,042,555	58.44%
Consulting Services	478,714	14,032,916	9,168,917	65.33%
Public Relations	20,549	467,362	190,945	40.86%
Counseling (non-health)	55,209	1,542,309	601,168	51.95%

**APPENDIX F — TAX RATE OPTIONS**

CITY OF LODI  
 FRAMEWORK FOR A REVISED BUSINESS LICENSE TAX ORDINANCE  
 OPTION #1 (\$1,100,000)

BUSINESS CLASSIFICATION	NUMBER OF BUSINESSES	TAXING MEASURE	TAX BASE (\$1,000'S)	ADMINISTRATIVE FEE	ADMINISTRATIVE MINIMUM FEE	TAX RATE	REVENUE TAX RATE	TOTAL REVENUE GENERATED
Manufacturer	139	GR	\$1,032,575	\$15	\$2,085	\$0.30	\$309,773	\$311,858
Retail	758	GR	\$471,960	\$15	\$11,370	\$0.30	\$141,588	\$152,958
Wholesale	216	GR	\$938,243	\$15	\$3,240	\$0.30	\$280,873	\$284,113
Services	1625	GR	\$340,232	\$15	\$24,375	\$0.60	\$204,139	\$228,514
Contractors	728	GR	\$125,671	\$15	\$10,920	\$0.60	\$75,403	\$86,323
Recreation & Entertainment	77	GR	\$13,905	\$15	\$1,155	\$0.60	\$8,343	\$9,498
Professions	330	GR	\$123,954	\$15	\$4,950	\$0.90	\$111,559	\$116,509

CITY OF LODI  
 FRAMEWORK FOR A REVISED BUSINESS LICENSE TAX ORDINANCE  
 OPTION #2 (\$900,000)

BUSINESS CLASSIFICATION	NUMBER OF BUSINESSES	TAXING MEASURE	TAX BASE (\$1,000'S)	ADMINISTRATIVE FEE	ADMINISTRATIVE MINIMUM FEE	TAX RATE	REVENUE TAX RATE	TOTAL REVENUE GENERATED
Manufacturer	139	GR	\$1,032,575	\$15	\$2,085	\$0.25	\$258,144	\$260,229
Retail	758	GR	\$471,960	\$15	\$11,370	\$0.25	\$117,990	\$129,360
Wholesale	216	GR	\$936,243	\$15	\$3,240	\$0.25	\$234,061	\$237,301
Services	1625	GR	\$340,232	\$15	\$24,375	\$0.50	\$170,116	\$194,491
Contractors	728	GR	\$125,671	\$15	\$10,920	\$0.50	\$62,836	\$73,756
Recreation & Entertainment	77	GR	\$13,905	\$15	\$1,155	\$0.50	\$6,953	\$8,108
Professions	330	GR	\$123,954	\$15	\$4,950	\$0.75	\$92,966	\$97,916

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CITY OF LODI  
 FRAMEWORK FOR A REVISED BUSINESS LICENSE TAX ORDINANCE  
 OPTION #3 (\$700,000)

BUSINESS CLASSIFICATION	NUMBER OF BUSINESSES	TAXING MEASURE	TAX BASE (\$1,000'S)	ADMINISTRATIVE FEE	ADMINISTRATIVE MINIMUM FEE	TAX RATE	REVENUE TAX RATE	TOTAL REVENUE GENERATED
Manufacturer	139	GR	\$1,032,575	\$15	\$2,085	\$0.20	\$208,515	\$208,600
Retail	758	GR	\$471,690	\$15	\$11,370	\$0.20	\$94,338	\$105,708
Wholesale	216	GR	\$936,243	\$15	\$3,240	\$0.20	\$187,249	\$190,489
Services	1625	GR	\$340,232	\$15	\$24,375	\$0.40	\$136,093	\$160,468
Contractors	728	GR	\$125,671	\$15	\$10,920	\$0.40	\$50,268	\$61,188
Recreation & Entertainment	77	GR	\$13,905	\$15	\$1,155	\$0.40	\$5,562	\$6,717
Professions	330	GR	\$123,954	\$15	\$4,950	\$0.60	\$74,372	\$79,322

**APPENDIX G — SAMPLE TAX BILLS**

APPENDIX G  
SAMPLE TAX BILLS  
CITY OF LOUISIANA

CLASSIFICATION	SIZE OF FIRM	AVERAGE NUMBER OF EMPLOYEES (a)	TAX BILL CURRENT STRUCTURE	TAX BILL OPTION #1	TAX BILL OPTION #2	TAX BILL OPTION #3
CONTRACTORS	300		\$750,000/GAR	\$207	\$465	\$315
	100		\$350,000/GAR	\$107	\$225	\$155
	50		\$175,000/GAR	\$62	\$120	\$85
	25		\$90,000/GAR	\$67	\$63	\$47
	10		\$40,000/GAR	\$42	\$39	\$31
MANUFACTURING	1000		\$15,400,000/GAR	\$557	\$4,635	\$3,095
	500		\$10,000,000/GAR	\$307	\$3,015	\$2,015
	100		\$7,500,000/GAR	\$107	\$2,265	\$1,515
	50		\$3,000,000/GAR	\$62	\$815	\$615
	25		\$1,600,000/GAR	\$67	\$415	\$335
PROFESSIONS	100		\$1,500,000/GAR	\$107	\$1,365	\$915
	75		\$650,000/GAR	\$65	\$780	\$525
	50		\$400,000/GAR	\$62	\$375	\$255
	25		\$300,000/GAR	\$67	\$265	\$195
	10		\$85,000/GAR	\$42	\$92	\$66
RETAIL	2500		\$10,500,000/GAR	\$1,307	\$3,165	\$2,115
	1000		\$5,100,000/GAR	\$557	\$1,545	\$1,035
	500		\$2,100,000/GAR	\$307	\$645	\$435
	100		\$1,300,000/GAR	\$107	\$405	\$275
	50		\$1,000,000/GAR	\$62	\$315	\$215
SERVICES	1000		\$1,100,000/GAR	\$557	\$675	\$455
	500		\$600,000/GAR	\$307	\$375	\$255
	100		\$210,000/GAR	\$107	\$141	\$99
	50		\$100,000/GAR	\$62	\$75	\$55
	10		\$50,000/GAR	\$42	\$45	\$35
WHOLESALE	2500		\$25,500,000/GAR	\$1,307	\$7,665	\$5,115
	1000		\$9,100,000/GAR	\$557	\$2,745	\$1,835
	500		\$4,100,000/GAR	\$307	\$1,245	\$835
	100		\$3,700,000/GAR	\$107	\$1,125	\$755
	50		\$1,600,000/GAR	\$62	\$485	\$335

(a) The figure for average number of employees assumes a fixed place of business.

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